



# PALMDALE

*a place to call home*

JAMES C. LEDFORD, JR.  
Mayor

MIKE DISPENZA  
Mayor Pro Tem

LAURA BETTENCOURT  
Councilmember

STEVEN D. HOFBAUER  
Councilmember

TOM LACKEY  
Councilmember

38300 Sierra Highway  
Palmdale, CA 93550-4798

Tel: 661/267-5100

Fax: 661/267-5122

TDD: 661/267-5167

Auxiliary aids provided for

communication accessibility

upon 72 hours' notice and request.

June 13, 2011

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

46 JUNE 21, 2011

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Honorable Michael D. Antonovich, Mayor  
Members of the Board of Supervisors  
County of Los Angeles  
500 W. Temple Street; Room 383  
Los Angeles, California 90012

RE: The City of Palmdale's Request for Cancellation of Delinquent Taxes and Assessments Pursuant to California Revenue and Taxation Code Section 4986.3

Dear Mayor Antonovich and Members of the Board of Supervisors:

The City of Palmdale (the "City") is in the process of resolving long-standing toxic delinquencies on five parcels (known as the "Phase II Parcels") totaling approximately 40 acres located within the Palmdale Trade and Commerce Center Specific Plan Area of the City for the purpose of facilitating the development of the Phase II Parcels and their return to the productive tax roll. The assistance of the Board of Supervisors of the County of Los Angeles (the "County") pursuant to Revenue and Taxation Code Section 4986.3 ("Section 4986.3") is and remains a critical part of the success of this process, and we very much appreciate the assistance that the County and its staff have provided the City. The purpose of this letter is to update the County with respect to the City's actions and to respectfully request that the Board of Supervisors now take official action to consummate the formal cancellation process.

## **Background**

By way of background, the City sent a letter dated April 19, 2011 (Exhibit 1) respectfully requesting the assistance of the County in connection with the proposed

cancellation of all unpaid ad valorem taxes, penalties and costs and all other unpaid levies existing on the tax roll for certain parcels located within the City pursuant to Section 4986.3. At that time, the City's good faith estimate of the amount due was \$5,840,590. The District Attorney provided written consent to such cancellation in a letter dated April 4, 2011.

Subsequently, City and County staff collaborated to resolve long-standing technical issues with four of the five Phase II Parcels. The City greatly appreciates the efforts of County staff in resolving these issues. The City also, at the County's request, removed from the tax roll the assessments for Original AD 88-1 for fiscal year 2004-05. The City then updated the estimated amount due to include interest through July 2011. As of July 31, 2011, the City's good faith estimate of the amount of unpaid ad valorem taxes, penalties, and costs and all other unpaid levies existing on the tax roll for the Phase II Parcels is \$5,869,862.63.

The Phase II Parcels have recently been assigned new Assessor's Parcel Numbers (APNs) following the City's acquisition of the Phase II Parcels by deed in lieu of judicial foreclosure from the delinquent owners. A summary of the current and prior known APNs are detailed below.

Current APN	Prior APN	Prior APN
3003-081-928	3003-081-027	3003-081-021
3003-081-929	3003-081-028	3003-081-022
3003-081-930	3003-081-029	3003-081-025
3003-081-931	3003-081-030	3003-081-026
3004-001-900	3004-001-032	3004-001-027

***All Requirements of Revenue and Taxation Code Section 4986.3 are now Satisfied***

Section 4986.3 provides that the County Auditor may, upon order of the Board of Supervisors and with the written consent of the District Attorney, cancel all or any portion of any uncollected tax, penalty, or costs levied on property.

All requirements precedent to the Board of Supervisors approval of an order authorizing the cancellation of all unpaid ad valorem taxes, penalties and costs and all other unpaid levies existing on the tax roll and levied or charged against the Phase II Parcels pursuant to Section 4986.3 have now been satisfied, as described herein and in the April 19<sup>th</sup> letter.

Supervisor Michael D. Antonovich, Mayor  
Members of the Board of Supervisors  
County of Los Angeles  
June 13, 2011  
City of Palmdale Request for Cancellation Pursuant to R&T Code Sec. 4986.3  
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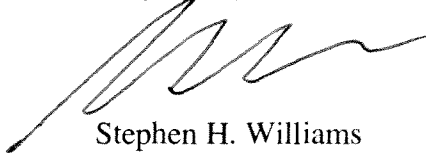
Moreover, beyond satisfying the technical requirements of Section 4986.3, the economic development and fiscal benefits to both the County and the City of the cancellation of all delinquent taxes and any other amounts levied or charged against the Phase II Parcels will be significant and measureable.

***City of Palmdale's Formal Request for Board of Supervisors' Action***

Therefore, the City now respectfully requests that, at its earliest convenience, the Board of Supervisors order the cancellation of all unpaid ad valorem taxes, penalties and costs and all other unpaid levies existing on the tax roll and levied or charged against the Phase II Parcels including, without limitation, any secured, unsecured, supplemental, escaped, or any other amounts however they may exist or have existed in the County's records as to each of the Phase II Parcels, (i.e., current APNs or any former APNs), so that any and all amounts existing in the County records as to the Phase II Parcels as of the date of approval are completely expunged, eliminated and otherwise removed in perpetuity. This amount is estimated by the City in good faith to be \$5,869,862.63 through July 31, 2011. The City respectfully defers to the County Treasurer and Tax Collector to determine the exact amount after a review of all applicable property records and the actual date of approval.

Thank you for your consideration in this matter. If you need any further information or have any questions or comments regarding this matter, please do not hesitate to contact me at (661) 267-5102.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Stephen H. Williams', written over a horizontal line.

Stephen H. Williams  
City Manager

Exhibit 1

Letter from the City dated April 19, 2011

[Following This Page]



# PALMDALE

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JAMES C. LUDFORD, JR.  
Mayor

MIKE DISPENZA  
Mayor Pro Tem

LAURA BUTTENCOURT  
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Tel: 661/267-5100

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*Auxiliary aids provided for  
communication accessibility*

*upon 72 hours' notice and request*

April 19, 2011

Honorable Michael D. Antonovich, Mayor  
Members of the Board of Supervisors  
County of Los Angeles  
500 W. Temple Street; Room 383  
Los Angeles, California 90012

RE: The City of Palmdale's Request for Cancellation of Delinquent Taxes and Assessments Pursuant to California Revenue and Taxation Code Section 4986.3

Dear Mayor Antonovich and Members of the Board of Supervisors:

The City of Palmdale (the "City") respectfully requests the assistance of the Board of Supervisors of the County of Los Angeles (the "County") in connection with the proposed cancellation of all unpaid ad valorem taxes, penalties and costs and any other unpaid levies existing on the tax roll for certain parcels located within the City pursuant to California Revenue and Taxation Code (the "Revenue and Taxation Code") Section 4986.3. Such cancellation would, however, exclude any unpaid special tax and assessment levies securing bonds issued by the City under the Municipal Improvement Act of 1913, the Improvement Bond Act of 1915, the Refunding Act of 1984, and the Mello-Roos Community Facilities Act of 1982 (described below).

Specifically, the City is in the process of attempting to resolve long-standing toxic delinquencies on five (5) parcels (known as the "Phase II Parcels") totaling approximately 40 acres located within the Palmdale Trade and Commerce Center Specific Plan Area of the City for the purpose of facilitating the development and accompanying return to the productive tax roll of the Phase II Parcels (the "Project"). The assistance of the County Board of Supervisors pursuant to Revenue and Taxation Code Section 4886.3 is a critical and necessary part of the success of this process.

*w w w . c i t y o f p a l m d a l e . o r g*

The Phase II Parcels are currently identified as Assessor's Parcel Numbers (APNs) 3003-081-027, 3003-081-028, 3003-081-029, 3003-081-030 and 3004-001-032, and are more fully described in the Legal Descriptions of the Phase II Parcels attached hereto as Exhibit 1 and incorporated herein by this reference.

Revenue and Taxation Code Section 4986.3, a copy of which is attached hereto as Exhibit 2 and incorporated herein by this reference, provides that the County Auditor may, upon order of the Board of Supervisors with the written consent of the District Attorney, cancel all or any portion of any uncollected tax, penalty, or costs levied on property, upon satisfactory proof that:

- (a) Such tax, penalty or costs were levied or charged on property subject to assessment or special taxes for the payment of bonds issued under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500) of the California Streets and Highways Code) or the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Division 2 of Part 1 of Title 5 of the California Government Code); and
- (b) The City acquires the subject property, after the lien date, pursuant to either of the following proceedings:
  - (i) The City acquires the subject property on foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982; or
  - (ii) Where the City is entitled to bring foreclosure proceedings against the subject property under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982, the City acquires the subject property in any other manner than by foreclosure and the City Council, by Resolution, declares that the acquisition of the subject property was done in lieu of acquisition under foreclosure proceedings. (Such form of acquisition is, for the purposes of Section 4986.3, an acquisition by foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982.)

All requirements precedent to the Board of Supervisors approval of an order

authorizing the cancellation of all unpaid ad valorem taxes, penalties and costs and any other unpaid levies existing on the tax roll and levied or charged against the Phase II Parcels pursuant to Revenue and Taxation Code Section 4986.3 have been satisfied, as follows:

- (a) The delinquent taxes, penalties and costs were levied or charged against the Phase II Parcels, and the Phase II Parcels are subject to assessments or special taxes for the payment of bonds issued under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982, to wit: (i) four of the Phase II Parcels are subject to delinquent special taxes and assessments levied to secure bonds issued for both City of Palmdale CFD No. 05-1 and City of Palmdale Reassessment District No. 90-2; and (ii) the remaining parcel is subject to delinquent assessments levied to secure bonds issued for both the City of Palmdale Reassessment District No. 88-1 and the City of Palmdale Assessment District No. 90-2; and
- (b) The City acquired fee title of the Phase II Parcels pursuant to Deeds In Lieu of Judicial Foreclosure as a result of judicial foreclosure proceedings commenced and prosecuted by the City in connection with the Phase II Parcels under the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities Act of 1982. True and correct copies of the Deeds in Lieu of Judicial Foreclosure recorded in the Officials Records of the County Recorder are attached hereto as Exhibit 3 and incorporated herein by this reference; and
- (c) The City Council, by Resolution, declared that the City's acquisition of the Phase II Parcels by any manner other than by foreclosure proceedings was done in lieu of acquisition under foreclosure proceedings. A true and correct copy of Resolution No. CC 2011-006 approved by the City Council is attached hereto as Exhibit 4 and incorporated herein by this reference; and
- (d) The County District Attorney has provided its written consent by letter dated April 4, 2011 to the proposed cancellation of the unpaid ad valorem taxes, penalties and costs and other unpaid levies existing on the tax roll and levied or charged against the Phase II Parcels. A true and correct copy of the letter issued by the County District Attorney dated April 4, 2011 is attached hereto as Exhibit 5 and incorporated herein by this reference.

Supervisor Michael D. Antonovich, Mayor  
Members of the Board of Supervisors  
County of Los Angeles  
April 19, 2011  
City of Palmdale Request for Cancellation Pursuant to R&T Code Sec. 4986.3  
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In addition to the above, the City, the Community Redevelopment Agency of the City of Palmdale (the "Redevelopment Agency"), Palmdale 5<sup>th</sup> Street West LLC (a wholly owned affiliate of S&Y Capital Group LLC and the former owner of the Phase II Parcels), and SYCG-MGP Palmdale I LLC, a partnership between S&Y Capital Group LLC (a Stone & Youngberg LLC affiliate) and Merlone Geier Partners (the proposed developer of the Phase II Parcels), have engaged in extensive discussions over the necessary actions to achieve resolution of the accumulated delinquencies on the Phase II Parcels and the ultimate phased development of the Phase II Parcels. In this regard, the City, Palmdale 5<sup>th</sup> Street West LLC, and SYCG-MGP Palmdale I LLC entered into a written contract titled "Agreement to Resolve Unpaid Property Taxes and Special Tax/Assessment Delinquencies on Specified Property Within the Palmdale Trade and Commerce Center Specific Plan Area" (City Document No. A-3368) (the "Workout Agreement") which specifically identifies the roles and responsibilities of each of the respective parties to facilitate the Project. A true and correct copy of the executed Workout Agreement is attached hereto as Exhibit 6 and incorporated herein by this reference. The City Council approved the Workout Agreement and made findings and took associated actions pursuant to Revenue and Taxation Code Section 4986.3 at its meeting conducted on February 2, 2011. (See, City Council Resolution No. CC 2011-006 attached hereto as Exhibit 4.)

The benefits to both the County and the City of the proposed cancellation of all delinquent taxes and any other amounts levied or charged against the Phase II Parcels are significant and measureable based on past collaborative efforts of the parties. Specifically, in 2004 and 2005, the County, the City, Redevelopment Agency, and S&Y Capital Group LLC worked cooperatively to resolve the long-standing tax and assessment delinquencies existing on about 97 acres of delinquent land within assessment districts established by the City in 1988 and 1990 (the "AD 88-1" and "AD 90-2" respectively). As a part of this effort, the County and the City conducted several proceedings under the provisions of Chapters 7 and 8 (of Division 1, Part 6) of the Revenue and Taxation Code which resulted in the City's interim ownership of, and the County's discharge of accumulated delinquencies on, approximately 40 parcels totaling about 97 acres of the delinquent land (the "Phase I Parcels"). Thereafter, an affiliate of S&Y Capital Group LLC acquired the Phase I Parcels from the City as part of a bond refinancing through a combination of Community Facilities District and reassessment bonds.

As a result of the cooperative efforts among the County, the City, the Redevelopment Agency, and S&Y Capital Group LLC, the Phase I Parcels have been successfully returned to the productive tax roll. After virtually no tax revenues generated for 15

years, the Phase I Parcels currently enjoy a dramatic increase in assessed valuation of approximately \$100,000,000, and generate a significant amount of tax revenues and hundreds of jobs resulting from the completion of development of more than 400,000 square feet of light industrial, office, medical, hotel and retail space, including the recently completed 150-room Embassy Suites Hotel.

Unfortunately, however, the Phase II Parcels did not qualify for and were not included in, the workout of the Phase I Parcels completed in 2005. Therefore, the Phase II Parcels continue to remain delinquent and unproductive.

While successful development of some property over the last two decades has been a substantial generator of jobs and tax revenues for the City, the Phase II Parcels failed to develop by the onset of the 1990's economic recession. Beginning in 1991 and 1992, over 200 acres of land within AD 88-1 and AD 90-2, including the Phase II Parcels, became delinquent in both regular County ad valorem property taxes and bond-related assessments. Subsequently, both the AD 88-1 and AD 90-2 bond issues defaulted due to the high level of assessment delinquencies. Thus, while the resolution of accumulated tax and assessment delinquencies on the Phase I Parcels has proved very successful, the Phase II Parcels have remained delinquent for nearly 20 years and are currently burdened by toxic debt that prevents their productive development.

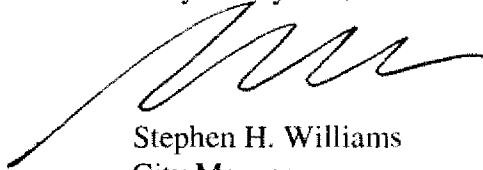
In an effort to facilitate the development and accompanying return to the productive tax roll of the Phase II Parcels, the City respectfully requests the Board of Supervisors' cooperation in this process and order the cancellation of all unpaid ad valorem taxes, penalties and costs and any other unpaid levies existing on the tax roll and levied or charged against the Phase II Parcels including, without limitation, any secured, unsecured, supplemental, escaped, or any other amounts however they may exist in the County's records as to each of the five (5) Phase II Parcels, as they are now known (e.g. current APNs) or against any former APNs that may have previously been used for the Phase II Parcels, so that any and all amounts existing in the County records as to the Phase II Parcels as of the date of approval are completely expunged, eliminated and otherwise removed in perpetuity. In this regard, although the District Attorney's written consent, as provided for in his letter dated April 4, 2011 (see, Exhibit 5), is limited to the cancellation of \$5,840,590 — which amount represents the City's good faith estimate of the amount of unpaid ad valorem taxes, penalties and costs and any other unpaid levies existing on the tax roll and levied or charged against the Phase II Parcels, the City respectfully requests the Board of Supervisors to consider ordering the cancellation of all unpaid ad valorem taxes, penalties and costs and any other unpaid levies existing on the tax roll and levied or

Supervisor Michael D. Antonovich, Mayor  
Members of the Board of Supervisors  
County of Los Angeles  
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Page 6

charged against the Phase II Parcels as said amount is determined by the County Treasurer and Tax Collector after a review of all applicable property records.

Thank you for your consideration in this matter. If you need any further information or have any questions or comments regarding this matter, please do not hesitate to contact me at (661) 267-5102.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Stephen H. Williams', is written over a horizontal line.

Stephen H. Williams  
City Manager

SHW:jkw  
Projects, Workout Trade & Commerce Center, 2010 & Beyond-Phase II, Correspondence

Exhibit 1

Legal Descriptions of the Phase II Parcels

[Following This Page]

### Legal Description

LOTS 21, 22, 25 AND 26 OF TRACT NO. 49832, IN THE CITY OF PALMDALE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1811 PAGES 70 TO 75 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION OF SAID LAND LYING NORTHEASTERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF THE LAND ACQUIRED BY EDWARD E. DEBS BY DEED (PARCEL NO. D-A4164), RECORDED NOVEMBER 22, 1972 IN BOOK D5676, PAGE 740 OF OFFICIAL RECORDS IN SAID OFFICE, DISTANT THEREON N 89° 54' 11" W, 284.67 FEET FROM THE SOUTHEASTERLY CORNER OF SAID PARCEL, SAID SOUTHEASTERLY CORNER BEING THE MOST NORTHEASTERLY CORNER OF SAID LOT 26; THENCE LEAVING SAID SOUTHERLY LINE S 48° 08' 03" E, 1531.54 FEET TO THE SOUTHERLY TERMINUS OF THAT CERTAIN COURSE HAVING A BEARING AND DISTANCE OF "N 28° 00' 35" W, 288.71 FEET" IN THE LAND CONVEYED TO THE STATE OF CALIFORNIA BY DEED (STATE PARCEL C4541) RECORDED IN BOOK D4581, PAGE 598 OF OFFICIAL RECORDS IN SAID OFFICE, AS GRANTED TO THE STATE OF CALIFORNIA IN DEED RECORDED AUGUST 27, 1993 AS INSTRUMENT NO. 93-1680571, OFFICIAL RECORDS.

As more commonly known as APN 3003-081-027, 3003-081-028, 3003-081-029 and 3003-081-030

Continued on next page

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**Legal Description (continued)**

THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 6 NORTH, RANGE 12 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF PALMDALE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT OF SAID LAND.

EXCEPT THEREFROM A STRIP OF LAND, 30 FEET WIDE, RESERVED FOR ROAD PURPOSES ALONG AND ADJOINING EACH OF THE BOUNDARY LINES OF SAID SECTION.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LAND DEEDED TO THE STATE OF CALIFORNIA FOR FREEWAY PURPOSES RECORDED DECEMBER 19, 1963 AS INSTRUMENT NO. 1450, OFFICIAL RECORDS, AND MORE PARTICULARLY DESCRIBED AS LYING EASTERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE NORTHERLY LINE OF SAID SECTION 27, DISTANT ALONG SAID NORTHERLY LINE NORTH 89 DEGREES 56 MINUTES 23 SECONDS WEST 1356.43 FEET FROM THE NORTHEAST CORNER OF SAID SECTION; THENCE

(1) SOUTH 3 DEGREES 32 MINUTES 56 SECONDS WEST, 30.06 FEET TO THE SOUTHERLY LINE OF THE NORTHERLY 30.00 FEET OF SAID SECTION 27; THENCE

(2) SOUTH 1 DEGREE 13 MINUTES 19 SECONDS EAST, 488.45 FEET; THENCE

(3) SOUTH 2 DEGREES 10 MINUTES 37 SECONDS EAST, 300.04 FEET; THENCE

(4) SOUTH 4 DEGREES 41 MINUTES 41 SECONDS WEST, 381.38 FEET; THENCE

(5) SOUTHWESTERLY, ALONG A TANGENT CURVE, CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 450.00 FEET, THROUGH AN ANGLE OF 41 DEGREES 44 MINUTES 22 SECONDS, AN ARC DISTANCE OF 327.82 FEET.

ALSO EXCEPT THEREFROM THOSE PORTIONS OF SAID LAND TO BE KNOWN AS WEST PARK DRIVE AND CORPORATE COURT AS DESCRIBED IN THE DEED TO THE CITY OF PALMDALE, A MUNICIPAL CORPORATION RECORDED MAY 29, 1992 AS INSTRUMENT NO. 92-968383, OFFICIAL RECORDS.

As more commonly known as APN 3004-001-032

## Exhibit 2

### Revenue and Taxation Code Section 4986.3

Revenue and Taxation Code Section 4986.3 states as follows:

4986.3. All or any portion of any uncollected tax, penalty, or costs, heretofore or hereafter levied, and not heretofore validly canceled, may, on satisfactory proof, be canceled by the auditor on order of the board of supervisors with the written consent of the district attorney if it was levied or charged on property subject to assessment or special taxes for the payment of bonds issued under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500) of the Streets and Highways Code) or the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Division 2 of Part 1 of Title 5 of the Government Code) where that property was acquired after the lien date by a city on foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982. If a city is entitled to bring foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982 against any property and the city acquires the property in any other manner than by foreclosure and the governing body of the city by resolution, covering any number of parcels acquired, declares that the acquisition was in lieu of acquisition under foreclosure proceedings, that acquisition is, for the purposes of this section, an acquisition by foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982. This section applies regardless of whether the property acquired by the city is impressed with a public trust or is acquired for the purpose of resale. As used in this section, "city" means any city, county, city and county, special district, school district, joint powers authority, or any other municipal corporation, district, or political subdivision of the state.

Exhibit 3

Deeds in Lieu of Judicial Foreclosure

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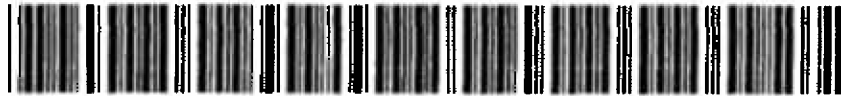


Pages:  
0005

Recorded/Filed in Official Records  
Recorder's Office, Los Angeles County,  
California

03/22/11 AT 08:00AM

FEES:	0.00
TAXES:	0.00
OTHER:	0.00
PAID:	0.00



LEADSHEET



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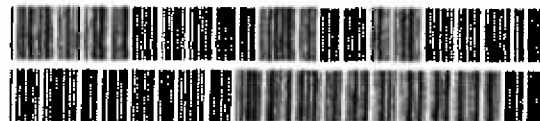
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003223584

SEQ:  
14

DAR - Title Company (Hard Copy)



THIS FORM IS NOT TO BE DUPLICATED

CHICAGO TITLE COMPANY

RECORDING REQUESTED BY AND  
MAIL TO:

(Name and mailing address, including city,  
state, and ZIP code, of requesting party)

City of Palmdale  
38300 Sierra Highway, Suite A  
Palmdale, California 93550  
Attn: City Clerk



— SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE —  
EXEMPT FROM FEES PURSUANT TO GOV. CODE § 27383

**DEED IN LIEU OF JUDICIAL FORECLOSURE**

**Los Angeles County APN(s) 3003-081-027, 3003-081-028, 3003-081-029, 3003-081-030**

FOR VALUABLE CONSIDERATION, including the dismissal of Los Angeles Superior Court, North District Case No. MC022021 in complete satisfaction of the underlying judicial foreclosure causes of action filed on behalf of Community Facilities District No. 05-1 (Trade and Commerce Center Area) and 7<sup>th</sup> Street West Assessment District No. 90-2 (Reassessment and Refunding of 2007-B), and all amounts due thereunder, the undersigned PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company, ("GRANTOR") hereby grants to the CITY OF PALMDALE, a California charter city, ("CITY") the above-referenced real property in the County of Los Angeles, State of California, **legally and more particularly described on Exhibit "A" attached hereto and made a part hereof by this reference ("PROPERTY")**.

This deed is an absolute conveyance to the CITY of all right, title and interest in and to the PROPERTY for fair value and in consideration for the full satisfaction of all obligations secured by the Notice of Pendency of Action recorded on October 18, 2010, as Instrument Number 20101486018 in Official Records, Los Angeles County, California.

GRANTOR and CITY declare that the CITY's interests in certain encumbrances and liens of record as to the PROPERTY, including the special tax and assessments liens associated with the obligations secured by the above-referenced Notice of Pendency of Action, as well as the various easements and dedications of record, are held on behalf of and for the benefit of innocent third persons and, therefore, not susceptible to the doctrine of merger with the fee interest being conveyed to the CITY by this deed; **the CITY will hold the legal title conveyed hereby as a separate property interest from any equitable title currently held, and the "Agreement to Resolve Special Taxes/Assessment Liens and Unpaid County Taxes on Specified Property Within Palmdale Trade and Commerce Center Specific Plan Area" (A-3368) shall remain in full force and effect according to its terms following the recording of this deed.**

GRANTOR declares that this absolute conveyance was freely and fairly made between GRANTOR and the CITY in cancellation of all obligations under the causes of action in the above-referenced judicial foreclosure action, with respect to the described real property.

PALMDALE 5<sup>TH</sup> STREET WEST LLC, a  
California limited liability company

By:

J. Brian Masterman, Manager

DATED:

106747019-x59

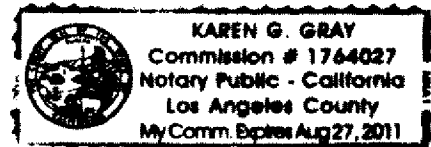
ACKNOWLEDGMENT

STATE OF CALIFORNIA       )  
   ) SS.  
 COUNTY OF LOS ANGELES   )

On march 16, 2011, before me, Karen G Gray, Notary Public personally appeared J. Brian Masterman, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/~~she~~ executed the same in his/~~her~~ authorized capacity, and that by his/~~her~~ signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Karen G Gray (Seal)  
                     Notary Public

**EXHIBIT "A"****LEGAL DESCRIPTION:**

APNs: 3003-081-027, 3003-081-028, 3003-081-029 and 3003-081-030

Lots 21, 22, 25 and 26 of Tract 49832, in the City of Palmdale, County of Los Angeles, State of California, as per map recorded in Book 1181, Pages 70 to 75, inclusive of Maps, in the Office of the County Recorder of said County.

Except therefrom that portion of said land lying Northeasterly of the following described line:

Beginning at a point in the Southerly line of the land acquired by Edward E. Debs by deed (Parcel No. D-A4164), recorded November 22, 1972 in Book D5676, Page 740 of Official Records in said Office, distant thereon N 89° 54' 11" W, 284.67 feet from the Southeasterly corner of said parcel, said Southeasterly corner being the most Northeasterly corner of said Lot 26; thence leaving said Southerly line S 48° 08' 03" E, 1531.54 feet to the Southerly terminus of that certain course having a bearing and distance of "N 28° 00' 35" W, 288.71 feet" in the land conveyed to the State of California by deed (State Parcel C4541) recorded in Book D4581, Page 598 of Official Records in said Office, as granted to the State of California in deed recorded August 27, 1993 as Instrument No. 93-1680571, Official Records.

END OF DESCRIPTION

GRANTOR: PALMDALE 5<sup>th</sup> STREET WEST LLC, a California limited liability company  
Los Angeles County APN(s) 3003-081-027, 3003-081-028, 3003-081-029, 3003-081-030

**CERTIFICATE OF ACCEPTANCE**

This is to certify that the interest in real property conveyed by the Deed In Lieu of Judicial Foreclosure dated March 22, 2011 from PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company, to the CITY OF PALMDALE, a California charter city, a public body, corporate and politic, is hereby accepted by the undersigned officer on behalf of the City of Palmdale pursuant to the authority conferred by Resolution No. CC 2011-006 adopted on February 2, 2011 by the City Council, and the grantee hereby consents to recordation thereof by its duly authorized officer.

Dated: March 14, 2011

By: 

Stephen H. Williams, City Manager  
City of Palmdale

ATTEST:

By: 

Rebecca J. Smith  
Acting City Clerk

APPROVED AS TO FORM:

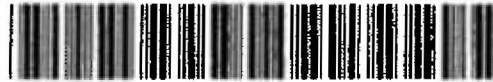
By: 

Wm. Matthew Ditzhazy  
City Attorney

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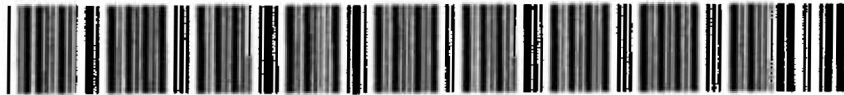


Pages:  
0006

Recorded/Filed in Official Records  
Recorder's Office, Los Angeles County,  
California

03/22/11 AT 08:00AM

FEES:	0.00
TAXES:	0.00
OTHER:	0.00
PAID:	0.00



LEADSHEET



201103220160002

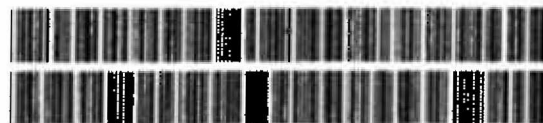
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003223584

SEQ:  
13

DAR - Title Company (Hard Copy)



THIS FORM IS NOT TO BE DUPLICATED

t72

CHICAGO TITLE COMPANY

RECORDING REQUESTED BY AND  
MAIL TO:

(Name and mailing address, including city,  
state, and ZIP code, of requesting party)

City of Palmdale  
38300 Sierra Highway, Suite A  
Palmdale, California 93550  
Attn: City Clerk



SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE  
EXEMPT FROM FEES PURSUANT TO GOV. CODE § 27383

**DEED IN LIEU OF JUDICIAL FORECLOSURE**  
**Los Angeles County APN 3004-001-032**

FOR VALUABLE CONSIDERATION, including the dismissals of Los Angeles Superior Court, North District Case Nos. MC022028 and MC004916 in complete satisfaction of the underlying judicial foreclosure causes of action filed on behalf of 10<sup>TH</sup> Street West Assessment District No. 88-1 (Reassessment and Refunding of 2005) and 7<sup>th</sup> Street West Assessment District No. 90-2, respectively, and all amounts due thereunder, the undersigned PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company, ("GRANTOR") hereby grants to the CITY OF PALMDALE, a California charter city, ("CITY") the above-referenced real property in the County of Los Angeles, State of California, **legally and more particularly described on Exhibit "A" attached hereto and made a part hereof by this reference ("PROPERTY")**.

This deed is an absolute conveyance to the CITY of all right, title and interest in and to the **PROPERTY** for fair value and in consideration for the full satisfaction of all obligations secured by the Notice of Pendency of Action recorded on October 22, 2010, as Instrument Number 20101519224 in Official Records, Los Angeles County, California, and the Order Modifying and Amending Judgment in Foreclosure; Order of Sale, entered on September 26, 2006, as amended on or about April 6, 2011, by the Los Angeles Superior Court, North District.

GRANTOR and CITY declare that the CITY's interests in certain encumbrances and liens of record as to the **PROPERTY**, including the reassessment and assessment liens associated with the obligations secured by the above-referenced Notice of Pendency of Action and Amended Judgment, as well as the various easements and dedications of record, are held on behalf of and for the benefit of innocent third persons and, therefore, not susceptible to the doctrine of merger with the fee interest being conveyed to the CITY by this deed; **the CITY will hold the legal title conveyed hereby as a separate property interest from any equitable title currently held, and the "Agreement to Resolve Special Taxes/Assessment Liens and Unpaid County Taxes on Specified Property Within Palmdale Trade and Commerce Center Specific Plan Area"(A-3368) shall remain in full force and effect according to its terms following the recording of this deed.**

GRANTOR declares that this absolute conveyance was freely and fairly made between GRANTOR and the CITY in cancellation of all obligations under the causes of action in the above-referenced judicial foreclosure action, with respect to the described real property.

PALMDALE 5<sup>TH</sup> STREET WEST LLC, a  
California limited liability company

By:

J. Brian Masterson, Manager

DATED:

106747019-x5

ACKNOWLEDGMENT

STATE OF CALIFORNIA       )  
  ) SS.  
COUNTY OF LOS ANGELES   )

On March 16, 2011, before me, Karen G. Gray, Notary Public personally appeared J. Brian Masterman, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/~~she~~ executed the same in his/~~her~~ authorized capacity, and that by his/~~her~~ signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

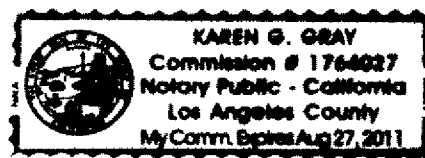
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Karen G. Gray  
Notary Public

(Seal)



**EXHIBIT "A"**

## LEGAL DESCRIPTION

APN: 3004-001-032

The East half of the Northwest quarter of the Northeast quarter of Section 27, Township 6 North, Range 12 West, San Bernardino Meridian, in the City of Palmdale, County of Los Angeles, State of California, according to the official plat of said land.

Except therefrom a strip of land, 30 feet wide, reserved for road purposes along and adjoining each of the boundary lines of said Section.

Also except therefrom that portion of said land deeded to the State of California for freeway purposes recorded December 19, 1963 as Instrument No. 1450, Official Records, and more particularly described as lying easterly of the following described line:

Beginning at a point in the Northerly line of said Section 27, distant along said Northerly line North 89 degrees 56 minutes 23 seconds West 1356.43 feet from the Northeast corner of said section; thence

- (1) South 3 degrees 32 minutes 56 seconds West, 30.06 feet to the Southerly line of the Northerly 30.00 feet of said Section 27; thence
- (2) South 1 degree 13 minutes 19 seconds East, 488.45 feet; thence
- (3) South 2 degrees 10 minutes 37 seconds East, 300.04 feet; thence
- (4) South 4 degrees 41 minutes 41 seconds West, 381.38 feet; thence
- (5) Southwesterly, along a tangent curve, concave Northwesterly, having a radius of 450.00 feet, through an angle of 41 degrees 44 minutes 22 seconds, an arc distance of 327.82 feet.

Also except therefrom those portions of said land to be known as West Park Drive and Corporate Court as described in the deed to the City of Palmdale, a municipal corporation recorded May 29, 1992 as Instrument No. 92-968383, Official Records.

END OF LEGAL DESCRIPTION

5

GRANTOR: PALMDALE 5<sup>th</sup> STREET WEST LLC, a California limited liability company  
Los Angeles County APN 3004-001-032

**CERTIFICATE OF ACCEPTANCE**

This is to certify that the interest in real property conveyed by the Deed In Lieu of Judicial Foreclosure dated March 22, 2011 from PALMDALE 5<sup>th</sup> STREET WEST LLC, a California limited liability company, to the CITY OF PALMDALE, a California charter city, a public body, corporate and politic, is hereby accepted by the undersigned officer on behalf of the City of Palmdale pursuant to the authority conferred by Resolution No. CC 2011-006 adopted on February 2, 2011 by the City Council, and the grantee hereby consents to recordation thereof by its duly authorized officer.

Dated: March 14, 2011

By: 

Stephen H. Williams, City Manager  
City of Palmdale

ATTEST:

By: 

Rebecca J. Smith  
Acting City Clerk

APPROVED AS TO FORM:

By: 

Wm. Matthew Ditzhazy  
City Attorney

Exhibit 4

City of Palmdale Resolution No. CC 2011-006

[Following This Page]

CITY COUNCIL

CITY OF PALMDALE, CALIFORNIA

RESOLUTION NO. CC 2011-006

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALMDALE APPROVING THE AGREEMENT TO RESOLVE SPECIAL TAX/ASSESSMENT LIENS AND UNPAID COUNTY TAXES ON SPECIFIED PROPERTY WITHIN THE PALMDALE TRADE AND COMMERCE CENTER SPECIFIC PLAN AREA BY AND BETWEEN THE CITY OF PALMDALE, PALMDALE 5<sup>TH</sup> STREET WEST LLC, AND SYCG-MGP PALMDALE I LLC (A-3368) AND ASSOCIATED ACTIONS AND AUTHORIZING THE ACQUISITION OF SPECIFIED PROPERTY BY DEED IN LIEU OF FORECLOSURE PROCEEDINGS PURSUANT TO CALIFORNIA REVENUE AND TAXATION CODE SECTION 4986.3 AND MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH

WHEREAS, the proposed Agreement to Resolve Special Tax/Assessment Liens and Unpaid County Taxes on Specified Property Within the Palmdale Trade and Commerce Center Specific Plan Area ("Agreement") to be entered into by and between the City of Palmdale ("City"), Palmdale 5<sup>th</sup> Street West LLC ("Owner"), and SYCG-MGP Palmdale I LLC ("Developer") (A-3368) concerns five (5) parcels of land totaling approximately 40 acres located within the Palmdale Trade and Commerce Center Specific Plan Area of the City (collectively referred to as the "Phase II Parcels" or the "Site"); and

WHEREAS, the purpose of the proposed Agreement is to implement a process whereby the Parties will attempt to resolve both the unpaid Special Taxes/Assessments and Unpaid County Taxes existing on the Phase II Parcels and restore the Phase II Parcels to the productive tax roll; and

WHEREAS, the Phase II Parcels are currently owned by the Owner, a wholly-owned affiliate of S&Y Capital Group LLC, but are under the control of the Developer pursuant to an Option Agreement and Agreement of Purchase and Sale and Joint Escrow Instructions entered into by and between the Owner and the Developer; and

WHEREAS, the Phase II Parcels are presently burdened with Special Tax/Assessment Liens and Unpaid County Taxes which, in total, are significantly in excess of the land values of the Phase II Parcels and subject to substantial complications relating to their resolution; and

WHEREAS, the Special Taxes/Assessments and Unpaid County Taxes on the Phase II Parcels continue to accrue with no chance that the Site will ever generate

property tax or other revenue to the City or any other public or private entity in the absence of the actions proposed in the Agreement; and

WHEREAS, the City desires to assist the Owner and the Developer with eliminating or reducing the long-standing toxic delinquencies from the Phase II Parcels so as to facilitate the development and accompanying return to the productive tax roll of the Phase II Parcels ("Project") by, among other things, requesting the County of Los Angeles ("County") to cancel the Unpaid County Taxes (defined in the Agreement as (i) unpaid ad valorem property taxes heretofore levied by the County that are due and owing on the Phase II Parcels, and any and all other amounts remaining on the County tax roll that are due and owing on the Phase II Parcels; and (ii) related penalties, interest and costs associated therewith that are due and owing on the Phase II Parcels) pursuant to California Revenue and Taxation Code ("Revenue and Taxation Code") Section 4986.3; and

WHEREAS, Revenue and Taxation Code Section 4986.3 provides that all or any portion of any uncollected tax, penalty, or costs levied and not validly canceled may, on satisfactory proof, be canceled by the County Auditor on order of the Board of Supervisors with the written consent of the District Attorney if it was levied or charged on property subject to assessment or special taxes for the payment of bonds issued under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500) of the California Streets and Highways Code) or the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Division 2 of Part 1 of Title 5 of the California Government Code) where that property was acquired after the lien date by a city on foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982; and

WHEREAS, Revenue and Taxation Code Section 4986.3 further provides that if a city is entitled to bring foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982 against any property and the city acquires the property in any other manner than by foreclosure and the governing body of the city by resolution declares that the acquisition was in lieu of acquisition under foreclosure proceedings, that acquisition is, for the purposes of Section 4986.3, an acquisition by foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982; and

WHEREAS, the provisions of Revenue and Taxation Code Section 4986.3 apply regardless of whether the property acquired by the city is impressed with a public trust or is acquired for the purpose of resale; and

WHEREAS, on behalf of 7<sup>th</sup> Street West Assessment District No. 90-2 ("Original AD 90-2"), 10<sup>th</sup> Street West Assessment District No. 88-1 (Reassessment and Refunding of 2005) ("ReAD 88-1"), 7<sup>th</sup> Street West Assessment District No. 90-2 (Reassessment and Refunding of 2007-B) ("ReAD 90-2"), and the City of Palmdale

Community Facilities District No. 05-1 (Trade and Commerce Center Area) ("CFD 05-1"), the City has commenced judicial foreclosure proceedings on each of the Phase II Parcels under applicable law; and

WHEREAS, in order to resolve the various judicial foreclosure actions in connection with Original AD 90-2, ReAD 88-1, ReAD 90-2, and CFD 05-1, and to the extent determined by the City to be feasible, the City may pursue acquisition of the Phase II Parcels by deed in lieu of foreclosure, in furtherance of the process to request the County's cancellation of Unpaid County Taxes set forth in Revenue and Taxation Code Section 4986.3; and

WHEREAS, upon acquisition of the Phase II Parcels, the City will use its diligent efforts to obtain the County's cancellation of the Unpaid County Taxes for such Phase II Parcels pursuant to Revenue and Taxation Code Section 4986.3, or through any process permitted by law, and to thereafter sell all such Phase II Parcels to the Developer or its nominee; and

WHEREAS, the City Council of the City ("City Council") reserves all rights and is not hereby waiving or canceling any rights or fiduciary obligation of the City in the Site relating to or arising in any way from any of the bonds issued for the Original AD 90-2, ReAD 88-1, ReAD 90-2, and CFD 05-1, or any assessment or special tax, penalty, interest, fee or administrative charge imposed in connection therewith, nor shall it be deemed to modify, waive or affect any power of the City arising from or relating to the location of the Site within the jurisdiction of the City.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Palmdale that:

SECTION 1. The foregoing recitals are true and correct and incorporated herein as if set forth in full.

SECTION 2. The City Council hereby approves the Agreement, in the form as described in Exhibit "A" attached herewith, with such minor modifications as the City Manager may determine necessary to effectuate the purpose and intent of the Agreement upon consultation with legal counsel. The City Council hereby authorizes and directs the Mayor to execute the final form of the Agreement for and on behalf of the City.

SECTION 3. The City Council hereby authorizes and directs the City Manager, or his designee, to execute any and all documents necessary to complete the transactions contemplated in the Agreement including, without limitation, executing the Certificates of Acceptance of the Deeds in Lieu of Foreclosure, substantially in the

forms attached to the Agreement as Attachment No. 3, and the Quitclaim Deeds, substantially in the form attached to the Agreement as Attachment No. 4.

SECTION 4. The City Council hereby authorizes and directs the City Manager, or his designee, to take any and all actions necessary to complete the transactions contemplated in the Agreement including, without limitation, submitting to the County a formal request to cancel or release the Unpaid County Taxes for the Phase II Parcels pursuant to applicable provisions of the Revenue and Taxation Code.

SECTION 5. The City Council hereby declares and finds that the City intends to acquire the Phase II Parcels pursuant to the Agreement solely for the purposes described herein and in lieu of foreclosure proceedings under the Improvement Bond Act of 1915 and/or the Mello-Roos Community Facilities Act of 1982, and that the acquisition of the Phase II Parcels by such manner is, for the purposes of Revenue and Taxation Code Section 4986.3, an acquisition by foreclosure proceedings under the Improvement Bond Act of 1915 and/or the Mello-Roos Community Facilities Act of 1982.

PASSED, APPROVED and ADOPTED this 2nd day of February, 2011 by the following vote:

AYES: Ledford, Dispenza, Hofbauer, Lackey, Bettencourt

NOES: None

ABSTAIN: None ABSENT: None

  
James C. Ledford, Jr., Mayor

ATTEST:  
  
Rebecca J. Smith  
Acting City Clerk

Approved as to form:

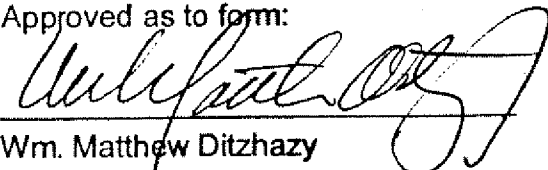
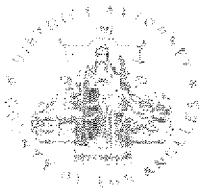
  
Wm. Matthew Ditzhazy  
City Attorney

Exhibit 5

Letter from the Office of the District Attorney

[Following This Page]



STEVE COOLEY  
LOS ANGELES COUNTY DISTRICT ATTORNEY

18000 CLARA SHORTRIDGE FOLTZ CRIMINAL JUSTICE CENTER  
210 WEST TEMPLE STREET LOS ANGELES, CA 90012-3210 (213) 974-3501

April 4, 2011

Mr. Stephen H. Williams  
City Manager  
City of Palmdale  
38300 Sierra Highway  
Palmdale, CA 93550-4798

RECEIVED	
CITY MANAGER OFFICE	
CITY MANAGER <input type="checkbox"/>	FILE <input checked="" type="checkbox"/>
APR 11 2011	
EWB	
<i>Camille</i>	HANDLE <input checked="" type="checkbox"/> FY <input checked="" type="checkbox"/>
<i>Sam Walter</i>	HANDLE <input checked="" type="checkbox"/> FY <input checked="" type="checkbox"/>
	HANDLE <input type="checkbox"/> FY <input type="checkbox"/>

Dear Mr. Williams:

THE CITY OF PALMDALE'S REQUEST FOR CANCELLATION OF  
DELIQUENT TAXES AND ASSESSMENTS PURSUANT TO  
CALIFORNIA REVENUE AND TAXATION CODE SECTION 4986.3

Your request that Los Angeles County Board of Supervisors cancel \$5,840,590 in delinquent County property taxes on City land pursuant to Revenue & Taxation Code § 4986.3 has been forwarded to my office for review. R & T § 4986.3 provides in pertinent part, that the Board may order the auditor to cancel any uncollected taxes with the written consent of the district attorney.

For purposes of this assessment, I have assumed certain facts to be true, namely:

1. All documents provided to my staff for review are true, correct and accurate copies of the originals, and that all signatures are those of the purported individuals, including
  - a. The 7<sup>th</sup> Street West AD 90-2 bond issuance pursuant to the 1915 Act provided by Brian Masterman, President of SYCG.
  - b. The 10<sup>th</sup> Street West 2005 Refunding of 88-1, issued pursuant to the 1915 Act provided by Brian Masterman, President of SYCG.
  - c. The Communities Facilities District No. 05-1 Refunding, issued pursuant to the 1982 Act provided by Brian Masterman, President of SYCG.
  - d. The Privately Place Limited Refunding of the 7<sup>th</sup> Street West AD 90-2 bond issuance pursuant to the 1915 Act provided by Brian Masterman, President of SYCG.

Mr. Stephen H. Williams  
Page 2  
April 4, 2011

- e. The City Resolution regarding the request provided by Brian Masterman, President of SYCG.
  - f. History of the properties and the bonds provided by Jill Ward, the City's Economic Project Manager.
- 2. The City's bond obligations were drafted in conformity with the Acts, as bond counsel opined in the bond statement.
  - 3. The Underwriter's attorneys' opinions are legally correct.
  - 4. The transactions are arms-length transactions involving bona fide purchasers

Based on the narrow scope of review, in reliance upon the assumptions expressed in this letter, I certify that the elements of R & T § 4986.3, namely that the City-issued bonds conform to R & T § 4986.3 requirements and the properties securing the bonds were transferred to the City by "deeds in lieu of" pursuant to a City resolution, were met. Therefore under the authority vested in me by the Revenue and Taxation Code, I consent to the cancellation \$5,840,590 property taxes on the subject properties.

Very truly yours,

  
STEVE COOLEY  
District Attorney

ja

Exhibit 6

Agreement to Resolve Unpaid Property Taxes and Special Tax/Assessment  
Delinquencies on Specified Property Within the Palmdale Trade & Commerce  
Center Specific Plan Area (A-3368)

[Following This Page]

5-0-0-0

DATE: February 2, 2011

SUBJECT: Resolution No. CC 2011-006 Approving an Agreement to Resolve Special Tax/Assessment Liens and Unpaid County Taxes on Specified Property Within the Palmdale Trade & Commerce Center Specific Plan Area (Phase II Parcels) by and between the City of Palmdale, 5<sup>th</sup> Street West LLC and SYCG-MGP Palmdale I LLC (A-3368) and Associated Actions and Authorizing the Acquisition of Specified Property by Deed in Lieu of Foreclosure Proceedings Pursuant to Revenue & Taxation Code Sec. 4986.3 and Making Certain Findings and Determinations in Connection Therewith

ISSUING DEPARTMENT: Economic Development

**SUMMARY**

Issues:

Should the City Council approve Resolution No. CC 2011-006 Approving an Agreement to Resolve Special Tax/Assessment Liens and Unpaid County Taxes on Specified Property Within the Palmdale Trade & Commerce Center Specific Plan Area (Phase II Parcels) by and between the City of Palmdale, 5<sup>th</sup> Street West LLC and SYCG-MGP Palmdale I LLC (A-3368) and Associated Actions and Authorizing the Acquisition of Specified Property by Deed in Lieu of Foreclosure Proceedings Pursuant to Revenue & Taxation Code Sec. 4986.3 and Making Certain Findings and Determinations in Connection Therewith?

Recommendation:

It is recommended that the City Council approve Resolution No. CC 2011-006 Approving an Agreement to Resolve Special Tax/Assessment Liens and Unpaid County Taxes on Specified Property Within the Palmdale Trade & Commerce Center Specific Plan Area (Phase II Parcels) by and between the City of Palmdale, 5<sup>th</sup> Street West LLC and SYCG-MGP Palmdale I LLC (A-3368) and Associated Actions and Authorizing the Acquisition of Specified Property by

Deed in Lieu of Foreclosure Proceedings Pursuant to Revenue & Taxation Code Sec. 4986.3 and Making Certain Findings and Determinations in Connection Therewith.

Fiscal Impact:

There is no fiscal impact to the City or Redevelopment Agency. The fees and costs associated with the Workout are being paid by the Owner and/ or Developer, and certain allowable costs may be reimbursed through the cost of issuance of potential future refunding bonds.

**BACKGROUND**

The Palmdale Trade & Commerce Center is a prime area for development in the heart of the City. However, during the 1990s and early 2000s, the area was plagued by mounting delinquencies of assessments and County taxes stemming from the severe recessions of those years that made the property economically unfeasible for development. The City worked for years to help reduce the toxic debt and in 2005 completed a process with the County known as Chapter 8 that resulted in the elimination of delinquent County taxes on 40 parcels of land. Also in 2005 the City refinanced the senior AD 88-1 bonds. A refinance of the subordinate AD 90-2 bonds followed in 2007. Some, but not all, of this property is now developed, creating tax revenues to the City, the Redevelopment Agency and the County as well as creating jobs as businesses grow and expand in this area.

There were five (5) parcels of land (Phase II Parcels) totaling about 40 acres that did not qualify for the Chapter 8 process and still remain burdened with toxic debt that continues to prevent development and generation of revenues and jobs.

A group of four of these parcels commonly referred to as the "Trishul" parcels total approximately 20 acres and are located south of Avenue P-4, north of Technology Drive (Avenue P-8), east of 5<sup>th</sup> Street West and west of the 14 Freeway. These parcels are located within Community Facilities District 05-1 (CFD 05-1) and ReAssessment District 90-2 (ReAD 90-2). The Trishul parcels are presently burdened with delinquent and future special tax and assessment liens (CFD 05-1 approximately \$1.3 million and ReAD 90-2 approximately \$7.9 million) and County taxes (approximately \$2.8 million) totaling \$12.0 million, or approximately \$13.68/sf.

The remaining parcel is commonly referred to as the "ACV" parcel and totals about 16 acres and is located south of Avenue Q, west of the 14 Freeway and straddling Corporate Court and West Park Drive. This parcel is located within ReAssessment District 88-1 (ReAD 88-1) and Original Assessment District 90-2 (AD 90-2). The ACV parcel is presently burdened with delinquent and future assessment liens (ReAD 88-1

approximately \$5.2 million and AD 90-2 approximately \$11.4 million) and County taxes (approximately \$3.0 million) totaling \$19.6 million, or approximately \$27.99/sf.

The City commissioned an appraisal that indicated the "debt free" market value as of November 30, 2010 was between \$5.90/sf and \$6.20/sf for the Trishul parcels and \$5.80/sf for the ACV parcel. Clearly the debt burden of \$13.68/sf and \$27.99/sf, respectively, is significantly in excess of the market values of the land and is impeding development. Special taxes, assessments and County taxes will continue to accrue along with penalties and interest with no hope that the Site will ever generate revenue to the City or any other public or private entity in the absence of actions proposed in the attached Workout Agreement.

On behalf of the bondowners, the City has initiated foreclosure actions under the CFD and ReAD/AD liens on all of the Phase II Parcels.

The Trishul and ACV parcels are currently owned by Palmdale 5<sup>th</sup> Street West LLC, an affiliate of Stone & Youngberg, the original underwriter of the bonds. Stone & Youngberg stepped in to acquire the property after years of attempts to work with the then-current owner or to locate a commercial/retail developer to participate in a workout of the property failed. Pursuant to an option agreement, the parcels are under the control of the Developer, SYCG-MGP Palmdale I LLC, which is a joint venture between Palmdale T&C Partners (an affiliate of Stone & Youngberg) and Merlone Geier, a development and investment manager.

The Owner and Developer approached the City in the fall of 2010 with a proposal outlining the steps for a Workout of the Phase II Parcels in order to make the property economically viable for development. Under the proposal, the City would request the County's cooperation in using Revenue & Taxation Code Section 4986.3 in order to reduce the uncollected County taxes, including penalties, interest and costs. Using Section 4986.3 is expected to take a few months to complete, as opposed to the more than 2 years under Chapter 8, allowing the property to return to the productive tax roll more quickly. A second component of the proposed Workout would involve the City's refinance of the existing assessment bonds on the Phase II Parcels.

The attached Agreement to Resolve Special Tax/Assessment Liens and Unpaid County Taxes (A-3368) (Workout Agreement) sets the framework to accomplish the overall goals of the Workout. Pursuant to Section 4986.3, the City may acquire the Phase II Parcels through a judicial foreclosure action or any other manner than by foreclosure upon certain conditions, such as a deed in lieu of foreclosure. The Workout Agreement provides for the City to acquire the Phase II Parcels from the Owner by deed in lieu of foreclosure. Once the Phase II Parcels are acquired by the City, the City would then send a letter to the County requesting the cancellation of any and all County taxes on the Phase II Parcels. The City's request, along with the

necessary letter of support from the District Attorney, would be presented to the County Board of Supervisors for consideration. If approved, the delinquent County taxes would be removed from the tax roll, and then the City would sell the land to the Developer by quitclaim deed under terms of the Workout Agreement. The sales price to the Developer would be any amounts paid by the City to the County to complete the tax cancellation process, and any other outstanding amounts required to be reimbursed to the City and the Redevelopment Agency by the Owner or Developer.

City staff and representatives from the Owner and Developer met with the County in January 2011. The County expressed a willingness to cooperate in using the Section 4986.3 process, and provided helpful feed back on how best to present the City's request to the County and insight into the County's procedures.

Because the City must be on title to the property when the County considers the reduction of County taxes under Section 4986.3, the Workout Agreement contemplates the City acquiring fee title of the Phase II Parcels before any of the delinquencies will be reduced, cancelled or refinanced, and subject to the current state of title of the Phase II Parcels. Therefore, there is an element of risk to the City based on becoming a property owner of these Phase II Parcels. However, under the Workout Agreement, if the County does not approve a cancellation of the County taxes, or at any time during the Workout process that the City determines it to be in its best interest, the City can transfer title of the Phase II Parcels back to the Owner or its nominee. It is currently expected that the City will only hold title to the Phase II Parcels long enough for the County to reduce its taxes, and that the Phase II Parcels will be sold to the Developer with the assessment and special tax delinquencies still outstanding. The assessment and special tax delinquencies are expected to be resolved shortly thereafter as described below.

Concurrent with the ongoing actions to resolve the County taxes, City staff will continue to work with bond counsel, financial advisor, special Agency counsel, Owner, Developer and others to structure the Workout of the assessment district bonds. Currently it is contemplated that (i) the Owner/Developer will pay certain delinquencies in cash and pay certain amounts with the tender of bonds; (ii) certain penalties and interest will be waived (to the extent that such waiver does not otherwise harm the bondowners or in instances where affiliates of Stone & Youngberg own the bonds that they agree to such waivers), and (iii) the balance of the bond debt will be refinanced with new refunding bonds.

The refinance will likely involve the formation of one or more community facilities districts along with the issuance of refunding bonds. Additional items will be brought forward in the future for Council's consideration related to district formation and issuance of bonds. The Workout Agreement does not bind the City to approve these

documents, and the Owner and Developer are aware that there is no expressed or implied guaranty that the City will approve such documents.

The Workout Agreement provides for the Owner and Developer to pay for any and all costs related to the Workout including but not limited to City/Agency legal counsel, financial advisor, foreclosure counsel, assessment district administrator, appraisal, and any and all costs paid for or related to the land. The Developer previously deposited \$85,000 pursuant to a Cost Reimbursement Agreement (A-3338) approved by Council and the Agency Board in December 2010 that provides for such reimbursement up until the point that the Council approves a Workout Agreement. Thereafter, such reimbursement obligations of the Owner and Developer will continue in accordance with the terms and conditions of the Workout Agreement.

The Workout Agreement provides for any balance in the Deposit from the Cost Reimbursement Agreement to be carried forward and serve as the Deposit for the Workout Agreement. Both Agreements provide for additional deposits to be made if it is determined necessary to cover ongoing costs. The Workout Agreement also provides for allowable costs to be paid from the future bond refinance, to the extent such refinance occurs and such costs are reasonable and legally allowable, and not otherwise already reimbursed.

The Workout Agreement and Resolution No. CC 2011-006 authorizes and directs the City Manager to execute any and all documents and perform any and all actions necessary to complete the transactions contemplated in the Workout Agreement including, but not limited to, executing certificates of acceptance of the deeds in lieu of foreclosure, executing quitclaim deeds, and submitting a formal request to the County to cancel County taxes. Both the Workout Agreement and the Resolution also authorize the City Manager to make any minor modifications to the Workout Agreement as may be determined in his discretion to be necessary to effectuate the purpose and intent of the Workout Agreement, upon consultation with legal counsel.

The Resolution also makes the necessary finding that the City's acquisition of the Phase II Parcels by deed in lieu of foreclosure is, for purposes of Section 4986.3, considered to be an acquisition by foreclosure proceedings under the Improvement Bond Act of 1915 and/or the Mello-Roos Community Facilities Act of 1982.

An aerial map identifying the Trishul and ACV parcels is attached to this Staff Report. Also attached are spreadsheets detailing the debt load on the Trishul and ACV parcels.

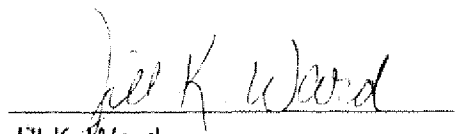
February 2, 2011

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Staff recommends that the City Council approve Resolution CC 2011-006 and the Workout Agreement (A-3368) related to the Workout on the five Phase II Parcels in the Palmdale Trade & Commerce Center in order to reduce the toxic debt and return the property to the productive tax roll.


Respectfully submitted:

Reviewed by:

  
Jill K. Ward  
Principal Economic Development  
Project Manager

  
Laurie Lile  
Assistant City Manager

  
David B. Walter  
Economic Development Manager

  
Stephen H. Williams  
City Manager/Executive Director

Trade & Commerce Center-Workout Phase II Parcels<sup>1</sup>

Printed 01/06/2011

[illegible]

2005 CFD 05-1

APN	Acreage	Delinq. Levy thru FY 2009/10	Delinq. Penalty	Delinq. Interest	Delinq. Fees	Delinq. Total	FY 2010/11 Levy <sup>(1)</sup>	RAD 90-2B Orig. Principal	Future Unbilled Principal <sup>(2)</sup>	FY 2010/11 Max Sp Tax	Legal Fees
3003-031-027	1.95	\$10,261.90	\$1,026.20	\$769.64	\$75.00	\$12,132.74	\$10,290.64	\$103,926.43	\$11,285.00		
3003-031-028	6.19	\$34,335.74	\$3,433.58	\$2,576.18	\$75.00	\$40,419.50	\$34,298.08	\$347,732.22	\$37,759.00		
3003-031-029	11.67	\$61,959.66	\$6,195.96	\$4,646.98	\$75.00	\$72,877.60	\$61,891.70	\$627,490.93	\$68,137.00		
3003-031-030	0.48	\$2,689.16	\$268.92	\$201.68	\$75.00	\$3,234.76	\$2,686.22	\$27,234.34	\$2,957.28		
Subtotal		\$109,246.46	\$10,924.66	\$8,193.48	\$300.00	\$128,864.60	\$109,126.64	\$1,106,383.92	\$120,138.28		
3003-031-027		\$115,164.92	\$11,516.50	\$8,637.36	\$75.00	\$135,393.78	\$115,007.80	\$756,645.09	\$473,247.11		
3003-031-028		\$385,429.46	\$38,542.94	\$28,907.20	\$75.00	\$452,954.60	\$384,855.90	\$2,532,556.95	\$1,583,999.26		
3003-031-029		\$727,194.72	\$72,719.48	\$54,539.60	\$75.00	\$854,528.80	\$726,094.54	\$4,778,301.03	\$2,988,610.11		
3003-031-030		\$27,789.02	\$2,778.90	\$2,084.18	\$75.00	\$32,727.10	\$27,766.54	\$182,496.93	\$114,143.54		
Subtotal		\$1,255,578.12	\$125,557.82	\$94,168.34	\$300.00	\$1,475,604.28	\$1,253,724.78	\$8,250,000.00	\$5,160,000.02		
3003-031-027		\$89,059.78	\$8,905.97	\$136,903.67	\$573.00	\$235,442.42	\$4,882.11				
3003-031-028		\$309,229.77	\$30,922.97	\$679,666.45	\$15.00	\$919,834.19	\$11,171.96				
3003-031-029		\$519,848.26	\$51,984.84	\$980,181.36	\$15.00	\$1,552,029.48	\$16,597.36				
3003-031-030		\$21,320.88	\$2,132.11	\$32,121.32	\$15.00	\$55,589.31	\$1,299.18				
Subtotal		\$939,458.71	\$93,945.89	\$1,728,872.60	\$618.00	\$2,762,895.40	\$33,960.61				
Grand Total	20.19	\$2,304,283.29	\$230,428.37	\$1,831,234.62	\$1,218.00	\$4,367,164.28	\$1,396,802.03	\$8,250,000.00	\$6,266,383.94	\$120,138.28	\$0.00

(1) Penalties & additions are FY 2010/11 installment amounts are NOT included in the Delinquent Levy amount in column B and shown separately for reference.  
 (2) Future Unbilled Principal for CFD 05-1 is calculated for debt load purposes using Est Share of 2005 CFD 05-1 Special Tax Bonds Method

APN	Acreage	Delinq. Levy thru FY 2010/11	Delinq. Penalty	Delinq. Interest	Delinq. Fees	Delinq. Total	FY 2010/11 Levy (not delinq)	Future Unbilled Principal (2)	Legal Fees	Total Debt Load	Debt/SF	Market Value/SF
3003-031-027	1.95	\$214,486.60	\$21,448.67	\$146,310.67	\$723.00	\$382,968.94	\$130,140.55	\$577,173.54	\$0.00	\$1,090,283.03	\$13.53	\$ 6.20
3003-031-028	6.19	\$728,994.97	\$72,899.49	\$611,148.83	\$165.00	\$1,413,208.29	\$430,325.94	\$1,931,731.48	\$0.00	\$3,775,265.71	\$14.00	\$ 5.90
3003-031-029	11.67	\$1,309,002.66	\$130,900.28	\$1,039,367.94	\$165.00	\$2,479,435.88	\$804,583.60	\$3,616,101.04	\$0.00	\$6,900,120.52	\$13.57	\$ 5.90
3003-031-030	0.48	\$51,799.06	\$5,179.93	\$34,407.18	\$165.00	\$91,551.17	\$31,751.94	\$141,377.88	\$0.00	\$264,680.99	\$12.66	\$ 6.20
Grand Total	20.19	\$2,304,283.29	\$230,428.37	\$1,831,234.62	\$1,218.00	\$4,367,164.28	\$1,396,802.03	\$6,266,383.94	\$0.00	\$12,030,390.25	\$13.68	

Palm Beach State (aka ACV)  
 calculated through 11/30/2010

APN	Acreage	Delinq. Levy thru FY 2009/10	Delinq. Penalty	Delinq. Interest	Delinq. Fees	Delinq. Total	Orig. Principal	Future Unbilled Principal	FY 2010/11 Levy <sup>(1)</sup>	Legal Fees
3004-01-002	16.08	\$1,627,154.20	\$182,715.44	\$710,135.44	\$870.00	\$2,500,875.08	\$2,244,253.48	\$857,602.33	\$323,194.80	
		\$649,410.86	\$64,941.10	\$282,493.72	\$0.00	\$996,845.68	\$889,082.42	\$348,788.73	\$129,882.16	
		\$2,276,565.06	\$227,656.54	\$992,629.16	\$870.00	\$3,497,720.76	\$3,133,335.90	\$1,206,391.06	\$453,076.96	
3004-01-002		\$3,826,473.12	\$382,647.34	\$6,131,919.14	\$1,980.00	\$10,343,019.60	\$2,205,000.00	\$823,087.30	\$211,423.70	\$ 24,607.75
3004-01-002		\$994,412.19	\$99,441.22	\$1,913,055.90	\$15.00	\$3,006,924.31			\$36,819.70	
Grand Total	16.08	\$7,097,450.37	\$709,745.10	\$9,037,604.20	\$2,865.00	\$16,847,664.67	\$5,338,335.90	\$2,029,478.36	\$701,320.36	\$ 24,607.75

(1) Payments for the FY 2010/11 installment amounts are NOT included in the Delinquent Levy amount in column B and shown separately for reference. Includes supplementals due in 2010/11.  
 (2) Amounts associated with the Series A bonds and Subordinate Series B bonds shown separately.  
 (3) FY 2011 Subordinate amounts remain on the tax roll for the original AD 86-1.

Summary	APN	Acreage	Delinq. Levy thru FY 2010/11	Delinq. Penalty	Delinq. Interest	Delinq. Fees	Delinq. Total	FY 2010/11 Levy (not delinq.)	Future Unbilled Principal	Legal Fees	Total Debt Load	Debt/SF	Market Value/SF
	3004-01-002	16.08	\$7,097,450.37	\$709,745.10	\$9,037,604.20	\$2,865.00	\$16,847,664.67	\$701,320.36	\$2,029,478.36	\$24,607.75	\$19,603,071.14	\$27.99	\$ 5.80

COPY

A-3368

**AGREEMENT TO RESOLVE  
SPECIAL TAX/ASSESSMENT LIENS AND UNPAID COUNTY TAXES  
ON SPECIFIED PROPERTY WITHIN  
THE PALMDALE TRADE AND COMMERCE CENTER SPECIFIC PLAN AREA**

**(Phase II Parcels)**

THIS AGREEMENT TO RESOLVE SPECIAL TAX/ASSESSMENT LIENS AND UNPAID COUNTY TAXES ON SPECIFIED PROPERTY WITHIN THE PALMDALE TRADE AND COMMERCE CENTER SPECIFIC PLAN AREA ("Agreement") is made and entered into this 2<sup>nd</sup> day of February, 2011, by and between the CITY OF PALMDALE, a California charter city ("City"), PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company ("Owner"), and SYCG-MGP PALMDALE I LLC, a Delaware limited liability company ("Developer"), individually referred to herein as the "Party" and collectively referred to herein as the "Parties", with reference to the following:

**RECITALS**

WHEREAS, capitalized terms used in this Agreement, including the Recitals, that are not otherwise defined shall have the meaning given such terms in Article I of this Agreement; and

WHEREAS, this Agreement concerns five (5) parcels of land totaling approximately 40 acres located within the Palmdale Trade and Commerce Center Specific Plan Area of the City of Palmdale, California, as shown on the "Site Map and Assessor's Parcel Maps" attached hereto as Attachment No. 1 and more specifically described in the "Legal Descriptions" attached hereto as Attachment No. 2 (collectively referred to herein as the "Phase II Parcels" or the "Site", as said terms are defined in Section 1.1 of this Agreement); and

WHEREAS, the Phase II Parcels are currently owned by the Owner, a wholly-owned affiliate of S&Y Capital Group LLC, but are under the control of the Developer pursuant to that certain Option Agreement and Agreement of Purchase and Sale and Joint Escrow Instructions entered into by and between the Owner and the Developer in August, 2008, as amended by that certain First Amendment to Option Agreement and Agreement of Purchase and Sale and Joint Escrow Instructions entered into by and between the Owner and the Developer on March 8, 2010; and

WHEREAS, the Developer is a partnership between S&Y Capital Group LLC, a California limited liability company, and Merlone Geier Partners, L.P., a California limited partnership, a development and investment manager; and

WHEREAS, the Phase II Parcels are presently burdened with Special Tax/Assessment Liens and Unpaid County Taxes which, in total, are significantly in excess of the land values of the Phase II Parcels and subject to substantial complications relating to their resolution. The Special

Taxes/Assessments and Unpaid County Taxes on the Phase II Parcels continue to accrue with no chance that the Site will ever generate property tax or other revenue to the City or any other public or private entity in the absence of the actions proposed in this Agreement; and

WHEREAS, Unpaid County Taxes on the Phase II Parcels have been delinquent as follows: (a) since Fiscal Year 1991-1992 on two of the Trishul Parcels; (b) since Fiscal Year 1992-1993 on the ACV Parcel; and (c) since Fiscal Year 1993-1994 on the remaining two Trishul Parcels. The County, under the power to sell property for delinquent taxes pursuant to the California Revenue and Taxation Code, has provided notice of its intent to sell the Phase II Parcels at its public tax sale in the 4<sup>th</sup> quarter of 2011; and

WHEREAS, the Phase II Parcels have significant Assessment Liens which secure limited obligation bonds and/or refunding bonds issued under the 1915 Act and the 1984 Act. In addition, four of the Phase II Parcels have significant Special Tax Liens which secure bonds issued under the 1982 Act. Specifically, the Trishul Parcels are subject to delinquent Special Taxes/Assessments levied pursuant to the 1982 Act and the 1913 Act to secure bonds issued for both CFD 05-1 and ReAD 90-2; and the ACV Parcel is subject to delinquent Assessments levied pursuant to the 1913 Act to secure bonds issued for both ReAD 88-1 and Original AD 90-2. The Special Tax/Assessment Liens on the Phase II Parcels are secured by statutory liens which are on a parity with the statutory lien securing the Unpaid County Taxes, and therefore would not be eliminated upon a County tax sale for Unpaid County Taxes; and

WHEREAS, on behalf of the various assessment districts and the CFD 05-1, the City has commenced judicial foreclosure proceedings on each of the Phase II Parcels under the 1915 Act, the 1982 Act and/or the 1984 Act, as applicable. To resolve these various foreclosure actions, and to the extent determined by the City to be feasible, the City may pursue acquisition of the Phase II Parcels by deed in lieu of foreclosure; and

WHEREAS, the purpose of this Agreement is to implement a process whereby the Parties will attempt to resolve both the unpaid Special Taxes/Assessments and the Unpaid County Taxes existing on the Phase II Parcels and restore the Phase II Parcels to the productive tax roll. The Parties understand and agree that completion of such a process is contingent upon actions by persons and entities not within the control of any of the Parties, but have determined that the potential for resolution of issues relating to the Phase II Parcels contained in this Agreement is nonetheless of benefit to all Parties and to the residents of the City; and

WHEREAS, as part of the proposed process, the City will, if feasible, use its diligent efforts to acquire title to the Phase II Parcels and to obtain a release or cancellation of all or a portion of the Unpaid County Taxes for the Phase II Parcels with the approval of the County pursuant to provisions of the California Revenue and Taxation Code; and

WHEREAS, should the City acquire title to the Phase II Parcels and obtain a release or cancellation of all or a portion of the Unpaid County Taxes for the Phase II Parcels, the City will use its diligent efforts to sell the Phase II Parcels to the Developer for development and redevelopment, in furtherance of the City's goals and in implementation of the Redevelopment Plan for Redevelopment Project No. 1, within which the ACV Parcel is located, and the Redevelopment Plan, as amended, for Redevelopment Project No. 4 (Redevelopment Project No. 4 was merged with Redevelopment Project No. 2 and Redevelopment Project No. 3 pursuant to City Ordinance No. 1044 passed, approved and adopted on March 24, 1994), within which the Trishul Parcels are located, (collectively referred to herein as the "Project Areas"). The proposed resale of the Phase II Parcels is consistent with the objectives of the Redevelopment Agency and the authority provided by the Community Redevelopment Law at Sections 33220 and 33430 of the California Health and Safety Code for the purposes of aiding and cooperating with the Redevelopment Agency in the planning of redevelopment within the Project Areas and for the disposition of real property to a private party for such purposes.

## **AGREEMENT**

NOW, THEREFORE, in consideration of the above recitals, the covenants and agreements made herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

## **ARTICLE I**

### **DEFINITIONS**

**Section 1.1 Definitions.** Unless the context otherwise requires, the capitalized terms used in this Agreement, including the Recitals, and defined in this Section shall, for all purposes of this Agreement have the meanings herein specified.

"1913 Act" shall mean the Municipal Improvement Act of 1913, Division 12 (commencing with Section 10000) of the California Streets and Highways Code.

"1915 Act" shall mean the Improvement Bond Act of 1915, Division 10 (commencing with Section 8500) of the California Streets and Highways Code.

"1982 Act" shall mean the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 (commencing with Section 53311) of Division 2 of Part 1 of Title 5 of the California Government Code.

"1984 Act" shall mean the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the California Streets and Highways Code.

“ACV Parcel” shall mean the Phase II Parcel identified by Los Angeles County Assessor’s Parcel Number 3004-001-032 and more particularly described in the Legal Descriptions attached hereto as Attachment No. 2.

“Agreement” shall mean this Agreement to Resolve Special Tax/Assessment Liens and Unpaid County Taxes on Specified Property Within the Palmdale Trade and Commerce Center Specific Plan Area (Phase II Parcels).

“Assessment Liens” shall mean, with respect to Original AD 90-2, ReAD 88-1 and/or ReAD 90-2, the lien on the Phase II Parcels securing the payment of: (a) delinquent Assessments which currently are not on the County tax roll, whether or not the subject of a foreclosure judgment; (b) related statutory penalties, interest and costs; and (c) the portion of scheduled future Assessments representing the applicable parcel’s proportionate share of principal of the outstanding Original AD 90-2 Bonds, ReAD 88-1 Bonds or ReAD 90-2 Bonds.

“Assessments” shall mean the annual assessment or reassessment installments levied by the City each year pursuant to the 1913 Act or the 1984 Act on property in Original AD 90-2, ReAD 88-1 and/or ReAD 90-2.

“CFD 05-1” shall mean the City of Palmdale Community Facilities District No. 05-1 (Trade and Commerce Center Area), formed on May 9, 2005, pursuant to the 1982 Act.

“CFD 05-1 Bonds” shall mean the issued and outstanding: (a) City of Palmdale Community Facilities District No. 05-1 (Trade & Commerce Center Area) 2005 Special Tax Refunding Bonds, Series A; and (b) City of Palmdale Community Facilities District No. 05-1 (Trade & Commerce Center Area) 2005 Special Tax Refunding Bonds, Subordinate Series B.

“City” shall mean the City of Palmdale, a municipal corporation and charter city of the State of California, and any legally permissible assignee of or successor to the City or its rights, powers and responsibilities hereunder.

“Cost Reimbursement Agreement” shall have the meaning set forth in Section 4.1(a) of this Agreement.

“County” shall mean the County of Los Angeles, a political subdivision of the State of California.

“Deposit Account” shall have the meaning set forth in Section 4.1(b) of this Agreement.

“Developer” shall mean SYCG-MGP Palmdale I LLC, a Delaware limited liability company, and any assignee or successor to Developer that has been approved by the City pursuant to the provisions of this Agreement.

“Districts” shall mean collectively Original AD 90-2, ReAD 88-1, ReAD 90-2 and CFD 05-1, and each of which shall sometimes be referred to individually as the “District.”

“District Bonds” shall mean individually or collectively, as the case may be, Original AD 90-2 Bonds, ReAD 88-1 Bonds, ReAD 90-2 Bonds and CFD 05-1 Bonds.

“Initial Deposit” shall have the meaning set forth in Section 4.1(b) of this Agreement.

“Original AD 90-2” shall mean 7<sup>th</sup> Street West Assessment District No. 90-2, formed by the City Council of the City pursuant to the 1913 Act.

“Original AD 90-2 Bonds” shall mean the Limited Obligation Improvement Bonds City of Palmdale, 7<sup>th</sup> Street West Assessment District No. 90-2, Series 1990-A, issued on September 27, 1990.

“Owner” shall mean Palmdale 5<sup>th</sup> Street West LLC, a California limited liability company and a wholly-owned affiliate of S&Y Capital Group LLC, and any assignee or successor to Owner that has been approved by the City pursuant to the provisions of this Agreement.

“Phase II Parcels” shall mean each and all of the five (5) parcels of land within the Site that are located in various Districts and subject to Special Tax/Assessment Liens and Unpaid County Taxes, and that are identified herein by their Los Angeles County Assessor’s Parcel Numbers and more particularly described in the Legal Descriptions attached hereto as Attachment No. 2.

“ReAD 88-1” shall mean 10<sup>th</sup> Street West Assessment District No. 88-1 (Reassessment and Refunding of 2005) formed by the City Council of the City pursuant to the 1984 Act.

“ReAD 88-1 Bonds” shall mean: (a) City of Palmdale Limited Obligation Refunding Bonds, 10<sup>th</sup> Street West Assessment District No. 88-1 (Reassessment and Refunding of 2005), Series A; and (b) City of Palmdale Limited Obligation Refunding Bonds, 10<sup>th</sup> Street West Assessment District No. 88-1 (Reassessment and Refunding of 2005) Subordinate Series B, both issued on August 2, 2005.

“ReAD 90-2” shall mean 7<sup>th</sup> Street West Assessment District No. 90-2 (Reassessment and Refunding of 2007-B) formed by the City Council of the City pursuant to the 1984 Act.

“ReAD 90-2 Bonds” shall mean City of Palmdale Limited Obligation Refunding Bonds, 7<sup>th</sup> Street West Assessment District No. 90-2 (Reassessment and Refunding of 2007-B), Series B, issued on August 23, 2007.

“Redevelopment Agency” shall mean the Community Redevelopment Agency of the City of Palmdale, a public body, corporate and politic, exercising governmental functions and powers and

organized and existing under the Community Redevelopment Law of the State of California (California Health and Safety Code Section 33000 et seq.) (“Community Redevelopment Law”).

“Refunding Bonds” shall have the meaning set forth in Section 3.1 of this Agreement.

“S&Y Capital Group LLC” shall mean a California limited liability company whose sole managing member is Stone & Youngberg Holdings LLC, a Delaware limited liability company, and which is an affiliate of Stone & Youngberg LLC.

“Section 4986.3” shall have the meaning set forth in Section 2.1(a) of this Agreement.

“Section 8” shall have the meaning set forth in Section 2.1(a) of this Agreement.

“Site” shall mean all of the Phase II Parcels totaling approximately 40 acres of real property located within the Palmdale Trade and Commerce Center Specific Plan Area of the City of Palmdale, California, as shown on the Site Map and Assessor’s Parcel Maps attached hereto as Attachment No. 1 and more specifically described in the Legal Descriptions attached hereto as Attachment No. 2.

“Special Tax Liens” shall mean, with respect to CFD 05-1, the lien on the Phase II Parcels securing the payment of: (a) delinquent Special Taxes which currently are not on the County tax roll, whether or not the subject of a foreclosure judgment; (b) related statutory penalties, interest and costs; and (c) the portion of scheduled future Special Taxes representing the applicable parcel’s proportionate share of principal of the outstanding CFD 05-1 Bonds.

“Special Tax/Assessment Liens” shall mean, collectively, the Special Tax Liens and the Assessment Liens.

“Special Taxes” shall mean the special taxes levied each year by the City pursuant to the 1982 Act on property in CFD 05-1.

“Special Taxes/Assessments” shall mean the Special Taxes and Assessments levied each year by the City on property in Original AD 90-2, ReAD 88-1 and/or ReAD 90-2 (as to Assessments) and CFD 05-1 (as to Special Taxes).

“Trishul Parcels” shall mean the four Phase II Parcels identified by Los Angeles County Assessor’s Parcel Numbers 3003-081-027, 3003-081-028, 3003-081-029, and 3003-081-030 and more particularly described in the Legal Descriptions attached hereto as Attachment No. 2.

“Unpaid County Taxes” shall mean: (a) unpaid ad valorem property taxes heretofore levied by the County that are due and owing on the Phase II Parcels, and any and all other amounts remaining on the County tax roll that are due and owing on the Phase II Parcels; and (b) related penalties, interest and costs associated therewith that are due and owing on the Phase II Parcels.

“Workout Districts” shall have the meaning set forth in Section 3.1 of this Agreement.

**Section 1.2 Internal References.** All references herein to “Articles”, “Sections” and other subsections or subdivisions are to the corresponding Articles, Sections or subsections or subdivisions of this Agreement. The words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular article, section or subdivision hereof.

## ARTICLE II

### RESOLUTION OF UNPAID COUNTY TAXES

#### **Section 2.1 City to Request County Cooperation.**

(a) In recognition that Special Tax/Assessment Liens and Unpaid County Taxes may at times exceed the market value of real property, State law provides that in certain circumstances, the County has the authority to release or cancel Unpaid County Taxes remaining on the tax roll for an amount which is less than the total amount due. The Parties desire the County to exercise such authority so that the Phase II Parcels may become economically functional and productive. In this regard, the City agrees to use its diligent efforts to request the County to undertake such action (i) pursuant to California Revenue and Taxation Code Section 4986.3 (“Section 4986.3”), or through any process permitted by law, if the City acquires any or all of the Phase II Parcels by foreclosure or deed in lieu of foreclosure, or (ii) pursuant to Sections 3791-3813 of Chapter 8 of Part 6 of Division 1 of the California Revenue and Taxation Code (“Chapter 8”) upon an agreement by the County to sell any or all of the Phase II Parcels to the City. For informational purposes only and not binding on the Parties in this Agreement, the Parties estimate that as of May 31, 2011, the cumulative total amount of Unpaid County Taxes with respect to the Phase II Parcels will be approximately Six Million Dollars (\$6,000,000).

(b) As soon as practicable after the effective date of this Agreement, the City agrees to use its diligent efforts to formally begin to acquire title to the Phase II Parcels by foreclosure or deed in lieu of foreclosure and simultaneously pursue a request of the County for cancellation of all or a portion of the Unpaid County Taxes for the Phase II Parcels pursuant to Section 4986.3. Any such formal request of the County shall be subject to the following terms and conditions:

(1) The County would recover its costs for processing a cancellation under Section 4986.3 and such other amounts as mutually agreed to by the City, the Owner, and the Developer; and

(2) Notwithstanding any approvals provided by the County, the City may, in its sole and absolute discretion, determine not to acquire title to any or all of the Phase II Parcels, or if

acquired, to transfer title to any or all of the Phase II Parcels back to the Owner in accordance with Section 2.3(a) of this Agreement, until such time that the workout of the Districts' delinquencies and outstanding bonds, as set forth in Article III of this Agreement, is completed as to all such Phase II Parcels, or the City is reasonably satisfied that such workout will be completed within an acceptable time period after acquisition of title to all such Phase II Parcels so that the City will not be obligated to pay any Assessments or Special Taxes with respect to the Phase II Parcels.

(c) After the City's request to the County as set forth in Section 2.1(b) of this Agreement, should the County determine not to cancel all or a portion of the Unpaid County Taxes for any of the Phase II Parcels, and within sixty (60) calendar days from the City's receipt of a written request from the Owner, the City agrees to use its diligent efforts to formally begin and actively pursue a second request to the County for cancellation of all or a portion of the Unpaid County Taxes for all such Phase II Parcels pursuant to Section 4986.3, subject to Section 2.1(d) of this Agreement. Any such request to the County shall be subject to the same terms and conditions as set forth in Section 2.1(b) of this Agreement.

(d) If the City has not yet acquired title to any or all of the Phase II Parcels and as an alternative to submitting a second request to the County pursuant to Section 4986.3 in the City's sole and absolute discretion, or at any time during the workout process as the City determines to be in the best interests of the City in its sole and absolute discretion, the City may actively pursue a request to the County for the County to sell any such Phase II Parcels to the City under a negotiated agreement pursuant to Chapter 8. Any such request to the County shall be subject to the following terms and conditions:

(1) The purchase price for any of the Phase II Parcels shall be an amount solely intended to reimburse the County for its costs for processing the Chapter 8 sale of such Phase II Parcels and such other amounts as mutually agreed to by the City, the Owner, and the Developer; and

(2) The Chapter 8 agreement shall be structured, whether through an option or other arrangement satisfactory to the City and the County, so that notwithstanding approval by the County and the Controller of the State of California, the City may, in its sole and absolute discretion, determine not to close the sale of any or all of the Phase II Parcels in accordance with Section 2.3(b) of this Agreement, until such time that the workout of the Districts' delinquencies and outstanding bonds, as set forth in Article III of this Agreement, is completed as to all such Phase II Parcels, or the City is reasonably satisfied that such workout will be completed within an acceptable time period after closing of the Chapter 8 sale of all such Phase II Parcels so that the City will not be obligated to pay any Assessments or Special Taxes with respect to the Phase II Parcels.

**Section 2.2 Developer Cooperation in Ensuring Insurable Condition.** During the pendency of any process under Articles II and III of this Agreement, the Developer and the Owner: (i) shall not allow, authorize or permit any additional encumbrances to be recorded on any of the Phase II Parcels; (ii) shall use commercially reasonable efforts to assure that fee title to each of the

Phase II Parcels remains in insurable condition; and (iii) shall work with Chicago Title Company (or such other title company as is reasonably agreed to by the Parties) to provide for all statutorily required notices to parties of interest, whether on behalf of the City, the County, the Owner or otherwise.

**Section 2.3 City Acquisition of Phase II Parcels.**

(a) Section 4986.3:

(1) As required by Section 4986.3, in order to seek the County's cancellation of all or a portion of the Unpaid County Taxes for the Phase II Parcels, the City, in accordance with Section 2.1 of this Agreement, agrees to use its diligent efforts to acquire title to the Phase II Parcels by foreclosure or deed in lieu of foreclosure.

(2) The City may, in its sole and absolute discretion, seek to acquire title to the Phase II Parcels by deed in lieu of foreclosure rather than completing foreclosure proceedings for the Phase II Parcels. Within sixty (60) calendar days of the Owner's receipt of a request from the City to acquire title to the Phase II Parcels by deed in lieu of foreclosure, the Owner agrees to comply with the City's request and to execute any and all documents necessary to settle the foreclosure actions and transfer title to the Phase II Parcels to the City in accordance with California statutes including, without limitation, executing deeds for the Phase II Parcels substantially in the forms of the "Deed in Lieu of Judicial Foreclosure" attached hereto as Attachment No. 3 for the ACV Parcel and the Trishul Parcels, respectively.

(3) At any time during the workout process and notwithstanding any approvals provided by the County, the City may, in its sole and absolute discretion, determine not to acquire title to any or all of the Phase II Parcels, or if acquired, to transfer title to any or all of the Phase II Parcels back to the Owner, until such time that the workout of the Districts' delinquencies and outstanding bonds, as set forth in Article III of this Agreement, is completed as to all such Phase II Parcels, or the City is reasonably satisfied that such workout will be completed within an acceptable time period after acquisition of title to all such Phase II Parcels so that the City will not be obligated to pay any Assessments or Special Taxes with respect to the Phase II Parcels.

(4) Unless otherwise waived by the City, each of the following conditions precedent shall be satisfied prior to the City's acquisition of any or all of the Phase II Parcels by foreclosure or a deed in lieu of foreclosure:

- (i) The County has provided the City with its assurance that it will process the City's request for a cancellation of all or a portion of the Unpaid County Taxes for all Phase II Parcels pursuant to Section 4986.3.

- (ii) The City has received sufficient commitments from the County, the Developer and others that all of the Unpaid County Taxes for all Phase II Parcels will be extinguished before or within an acceptable time period after the City's acquisition of title to the Phase II Parcels.
- (iii) The Developer and/or the Owner shall provide to the City updated preliminary title reports for each of the Phase II Parcels, and the City shall approve the preliminary title reports including any listed exceptions or exclusions.
- (iv) The City shall provide its written consent, which shall be in the City's sole and absolute discretion, to the condition of title for the Phase II Parcels and to any and all encumbrances, liens or charges that will remain on record title for the Phase II Parcels upon the City's acquisition of the Phase II Parcels.
- (v) If title to the Phase II Parcels is to be acquired by deed in lieu of foreclosure, the Developer and/or the Owner, at their sole cost and expense, shall cause the Parties' mutually selected title company to issue to the City an ALTA Extended Coverage 1992 or 2006 Form Owner's Policy of Title Insurance, with any endorsements as required by the City, naming the City as the insured, which shall show fee simple title to the Phase II Parcels vested in the City subject only to permitted exceptions as agreed to by the City.
- (vi) The City shall have the right to conduct any and all reviews, inspections, audits and investigations of the Phase II Parcels as the City deems appropriate. The Developer and the Owner shall provide commercially reasonable assistance to the City as may be required by the City.
- (vii) The Owner and the Developer shall provide to the City any written reviews, inspections, audits and investigations concerning the Phase II Parcels that are in the custody, control or possession of the Owner or the Developer or any of their affiliates, and shall provide to the City any and all environmental surveys, reports or studies commissioned, ordered or received relating to the Phase II Parcels.
- (viii) A Stipulated Settlement Agreement shall have been fully executed and a Notice of Conditional Settlement filed in all foreclosure matters which satisfies any City outstanding foreclosure judgment with respect to any of the Special Tax/Assessment Liens and the

requirements of California Streets and Highways Code Section 8833.5 or California Government Code Section 53356.3, as applicable.

(ix) Any other conditions reasonably determined by the City.

(5) If title to the Phase II Parcels is acquired, or intended by the City to be acquired, by deed in lieu of foreclosure, the City shall process a Resolution to the City Council for consideration in accordance with Section 4986.3 whereby the City Council declares that the acquisition of the Phase II Parcels was done, or will be done, in lieu of acquisition under foreclosure proceedings and that such acquisition is, or will be, for purposes of Section 4986.3, an acquisition by foreclosure proceedings under the 1915 Act and/or the 1982 Act.

(6) If the City acquires title to any or all of the Phase II Parcels and the City Council does not approve the Resolution described in Section 2.3(a)(5) of this Agreement or the County fails or refuses to release or cancel all or a portion of the Unpaid County Taxes for the Phase II Parcels, the City may, in its sole and absolute discretion, transfer title to any or all of the Phase II Parcels back to the Owner or its nominee and reinstitute foreclosure proceedings with respect to any of the Special Tax/Assessment Liens. Within thirty (30) calendar days of the Owner's receipt of a request from the City to transfer title to the Phase II Parcels back to the Owner, the Owner or its nominee shall comply with the City's request and hereby agrees to execute any and all documents necessary to transfer such title to the Phase II Parcels back to the Owner or its nominee including, without limitation, accepting a quitclaim deed for each of the Phase II Parcels substantially in the form of the "Quitclaim Deed" attached hereto as Attachment No. 4. Any Owner's nominee is subject to the reasonable approval of the City. The Owner further agrees to reimburse the City for any and all costs and expenses incurred by the City in connection with the City accepting title to the Phase II Parcels and transferring title to the Phase II Parcels back to the Owner or its nominee pursuant to this Section 2.3 of the Agreement.

(b) Chapter 8:

(1) If the City has not yet acquired title to any or all of the Phase II Parcels and in accordance with Section 2.1(d) of this Agreement, as an alternative to submitting a second request to the County pursuant to Section 4986.3 in the City's sole and absolute discretion, or at any time during the workout process as the City determines to be in the best interests of the City in its sole and absolute discretion, the City may actively pursue a request to the County for the County to sell any such Phase II Parcels to the City under a negotiated agreement pursuant to Chapter 8.

(2) The Chapter 8 agreement shall be structured, whether through an option or other arrangement satisfactory to the City and the County, so that notwithstanding approval by the County and the Controller of the State of California, the City may, in its sole and absolute discretion, determine not to close the sale of any or all of the Phase II Parcels until such time that the workout of

the Districts' delinquencies and outstanding bonds, as set forth in Article III of this Agreement, is completed as to all such Phase II Parcels, or the City is reasonably satisfied that such workout will be completed within an acceptable time period after closing of the Chapter 8 sale of all such Phase II Parcels so that the City will not be obligated to pay any Assessments or Special Taxes with respect to the Phase II Parcels.

(3) Unless otherwise waived by the City, each of the following conditions precedent shall be satisfied prior to the City's acquisition of any or all of the Phase II Parcels by negotiated agreement with the County under Chapter 8:

- (i) The Phase II Parcels have been offered for sale at a County tax sale and there were no successful bidders.
- (ii) The County has approved the Chapter 8 agreement with the City, thereby consenting to the release of all of the Unpaid County Taxes pursuant to Chapter 8 for all Phase II Parcels subject to the Chapter 8 agreement.
- (iii) The Controller of the State of California has approved the Chapter 8 agreement between the County and the City, as may be required by law.
- (iv) Notice of the Chapter 8 sale has been provided, as required by law, and the statutory time period before the sale becomes effective has expired.
- (v) The Developer and/or the Owner shall provide to the City updated preliminary title reports for each of the Phase II Parcels, and the City shall approve the preliminary title reports including any listed exceptions or exclusions.
- (vi) The City shall provide its written consent, which shall be in the City's sole and absolute discretion, to the condition of title for the Phase II Parcels and to any and all encumbrances, liens or charges that will remain on record title for the Phase II Parcels upon the City's acquisition of the Phase II Parcels.
- (vii) The City, at the sole cost and expense of the Developer and/or the Owner, or the Developer and/or the Owner, at their sole cost and expense, shall cause the Parties' mutually selected title company to issue to the City an ALTA Extended Coverage 1992 or 2006 Form Owner's Policy of Title Insurance, with any endorsements as required

by the City, naming the City as the insured, which shall show fee simple title to the Phase II Parcels vested in the City subject only to permitted exceptions as agreed to by the City.

- (viii) The City shall have the right to conduct any and all reviews, inspections, audits and investigations of the Phase II Parcels as the City deems appropriate. The Developer and the Owner shall provide commercially reasonable assistance to the City as may be required by the City.
- (ix) The Owner and the Developer shall provide to the City any written reviews, inspections, audits and investigations concerning the Phase II Parcels that are in the custody, control or possession of the Owner or the Developer or any of their affiliates, and shall provide to the City any and all environmental surveys, reports or studies commissioned, ordered or received relating to the Phase II Parcels.
- (x) A Stipulated Settlement Agreement shall have been fully executed and a Notice of Conditional Settlement filed in all foreclosure matters which satisfies any City outstanding foreclosure judgment with respect to any of the Special Tax/Assessment Liens and the requirements of California Streets and Highways Code Section 8833.5 or California Government Code Section 53356.3, as applicable.
- (xi) Any other conditions reasonably determined by the City.

#### **Section 2.4    Resale of Phase II Parcels to Developer.**

(a) Should the City successfully conclude proceedings contemplated by this Article to eliminate or reduce the Unpaid County Taxes for all or a portion of the Phase II Parcels, the City shall use its diligent efforts within thirty (30) calendar days of the County's elimination or reduction of the Unpaid County Taxes for such Phase II Parcels to sell all such Phase II Parcels to the Developer or its nominee, and the Developer or such nominee shall purchase all such Phase II Parcels from the City. The Developer's nominee is subject to the reasonable approval of the City.

(b) If title to the Phase II Parcels was acquired by foreclosure or deed in lieu of foreclosure in furtherance of Section 4986.3, then the purchase price for the Phase II Parcels shall be an amount equal to all amounts required to fully reimburse the City and the Redevelopment Agency for any and all costs and expenses incurred by them for resolving the accumulated Special Tax/Assessment Liens and processing a cancellation or reduction of Unpaid County Taxes for the Phase II Parcels under Section 4986.3, plus any amounts paid by the City to the County to reimburse

the County for all or a portion of its costs and any other amounts paid to the County in connection with the cancellation or reduction of Unpaid County Taxes under Section 4986.3, less the amount of funds applied by the City pursuant to Section 4.6 of this Agreement, in the City's sole and absolute discretion, as reimbursement to the City or the Redevelopment Agency for costs and expenses incurred by them.

(c) If title to the Phase II Parcels was acquired by a negotiated agreement with the County pursuant to Chapter 8, then the purchase price for the Phase II Parcels shall be an amount as mutually agreed upon by the City and the Developer and determined on the basis that such amount shall fully reimburse the City for the purchase price paid by the City to the County under the applicable proceeding to acquire the Phase II Parcels and shall also fully reimburse the County, the City and the Redevelopment Agency for any and all costs and expenses incurred by them for resolving the accumulated Special Tax/Assessment Liens and processing a release of Unpaid County Taxes for the Phase II Parcels under Chapter 8, less the amount of funds applied by the City pursuant to Section 4.6 of this Agreement, in the City's sole and absolute discretion, as reimbursement to the City or the Redevelopment Agency for costs and expenses incurred by them.

(d) The sale of the Phase II Parcels from the City to the Developer or its nominee shall be made by a quitclaim deed substantially in the form of the Quitclaim Deed attached hereto as Attachment No. 4.

**Section 2.5 Failure to Obtain Resolution of Unpaid County Taxes.** The Parties understand that the resolution of Unpaid County Taxes for the Phase II Parcels as contemplated in this Article II is contingent upon approval of the County, including the County Board of Supervisors, the County Auditor and the District Attorney, as may be required by law, and possibly also the Controller of the State of California, and is not within the control of any of the Parties. If (i) by a date four (4) years from the effective date of this Agreement, the City has been unable to obtain a resolution of all Unpaid County Taxes for all or any portion of the Phase II Parcels in accordance with the terms of this Article II, or (ii) the Owner or the Developer determines that the cost of the Section 4986.3 relief is not economically feasible, then the obligations of the Parties under this Article II shall terminate as to the Phase II Parcels and thereafter no further action regarding the Unpaid County Taxes for such Phase II Parcels shall be required of any Party pursuant to this Agreement, except as provided in Section 2.3(a)(6) of this Agreement in connection with the Owner's obligation to accept title to any such Phase II Parcels back from the City and except as provided in Article IV of this Agreement in connection with the Owner's and the Developer's obligation to fully reimburse the City and the Redevelopment Agency for any and all costs, fees and expenses incurred by them in furtherance of this Agreement. Notwithstanding the foregoing, the Parties agree to work cooperatively at such time to determine if any alternative process exists to eliminate or reduce the Unpaid County Taxes for the Phase II Parcels.

### ARTICLE III

#### BOND RESTRUCTURE AND WORKOUT

**Section 3.1 Bonds' Refunding.** The City will use its diligent efforts to refinance the portion of the outstanding District Bonds attributable to the Phase II Parcels (bonds issued to refund District Bonds are hereinafter referred to as "Refunding Bonds"), either through the issuance of additional bonds for the existing Districts or through a new assessment district or districts, new community facilities district or districts, or combination thereof ("Workout Districts"). The purpose of any such Workout District(s) shall be to refinance any Special Tax/Assessment Liens on the Phase II Parcels remaining unpaid after the payment and/or cancellation or reduction of any Special Tax/Assessment Liens on the Site and/or the tender of District Bonds contemplated in Section 3.3 of this Agreement, through an exchange of the existing Districts' Bonds or with the proceeds of the Refunding Bonds. The proposed structure and terms of the Refunding Bonds shall be developed by members of a finance team which includes, without limitation, the City staff, a Bond Counsel and Financial Advisor selected by the City and a Bond Underwriter acceptable to the Parties in a manner consistent with other negotiated sales of municipal bonds in California. It is anticipated by the Parties that the Refunding Bonds will be sold by the City to Stone & Youngberg LLC, as the proposed Bond Underwriter and an affiliate of S&Y Capital Group LLC and one of the members of the Developer, pursuant to a Bond Purchase Agreement to be negotiated between the City and Stone & Youngberg LLC. The Owner and the Developer understand that the formation of any new Workout District will be subject to public hearings and City Council approval in its discretion following said public hearings and property owner ballot proceedings, and this Agreement shall not bind the City Council to approve any proposed Workout District or bonds therefore. The City shall have no liability whatsoever if any such Workout District(s) is not formed and such refinancing does not occur or the Refunding Bonds are not issued for reasons beyond the control of the City or otherwise determined by the City Council to not be in the best interests of the City consistent with the terms of this Agreement.

**Section 3.2 Potential Waiver and Settlement of Delinquent Special Taxes/Assessments, Penalties and Interest.** For informational purposes only and not binding on the Parties in this Agreement, the Parties estimate that as of May 31, 2011, the cumulative total amount of delinquent Special Taxes/Assessments with respect to the Phase II Parcels for the Districts will be approximately Nine Million Four Hundred Ninety Five Thousand Two Hundred Fourteen Dollars and Eighty Four Cents (\$9,495,214.84) and the cumulative total amount of statutory penalties and interest related to the delinquent Special Taxes/Assessments with respect to the Phase II Parcels for the Districts will be approximately Eight Million Eight Hundred Forty Eight Thousand Five Hundred Thirty Nine Dollars and Forty Two Cents (\$8,848,539.42). The majority of such delinquencies, penalties and interest accrued prior to the Developer's or the Owner's acquisition of the Phase II Parcels and, therefore, are subject to waiver under the 1982 Act and the 1915 Act; however, some delinquencies, penalties and interest accrued during the ownership of the Phase II Parcels by the Owner or certain affiliates of the Developer, which relationship may legally prevent

such delinquencies, penalties and interest from being waived under the 1982 Act pursuant to Section 53340(f)(1)(C) of the California Government Code. The City acknowledges that prior to or in conjunction with the formation of any Workout District and issuance of Refunding Bonds, the Developer and/or the Owner may request the reduction, waiver or refinancing of the delinquent Special Taxes/Assessments and certain related statutory penalties and interest. The City agrees to use its diligent efforts to consider the Developer's and/or the Owner's requests, in accordance with all applicable laws. The Developer and the Owner each acknowledges that this Agreement does not bind the City to accept any such request from the Developer, the Owner or any other interested party.

The Developer and the Owner each acknowledges that City Administrative Instruction No. 54 dated July 2, 2002 provides policy guidance with respect to the foreclosure of delinquent assessments and the potential waiver and settlement of delinquent assessments, penalties and interest, and the City will not approve any request that in any way adversely affects the interests of the owners of the District Bonds (absent the consent of the affected owners of the District Bonds). Certain Assessment Liens on the Phase II Parcels may be resolved through the Developer's and/or the Owner's tender of related bonds in accordance with Section 3.3 of this Agreement.

**Section 3.3 Bond Tenders.** Section 8688 of the California Streets and Highways Code permits the tender of assessment bonds as payment for certain obligations related to assessment districts. The City acknowledges that the Developer and the Owner have advised the City that the Developer and/or the Owner may elect to tender Original AD 90-2 Bonds, ReAD 88-1 Bonds and/or ReAD 90-2 Bonds to discharge all or some portion of the respective liens of such Districts on the Phase II Parcels. The Developer and the Owner each acknowledges the City's present policies dated July 10, 2002 with respect to tendering Original AD 90-2 Bonds, ReAD 88-1 Bonds and/or ReAD 90-2 Bonds. The City agrees to reasonably cooperate with the Developer and/or the Owner in the tendering of such bonds, to the extent permitted by law. Section 53344.1 of the California Government Code permits, under certain conditions, the tender of special tax bonds as payment for certain obligations related to community facilities districts. The Developer and the Owner have advised the City that they do not currently intend to tender CFD 05-1 Bonds in connection with the actions contemplated by this Article III. However, nothing in this Agreement shall prohibit the Developer and/or the Owner from reconsidering and deciding to elect to tender CFD 05-1 Bonds consistent with the terms of this Agreement and subject to compliance with all applicable laws.

## ARTICLE IV

### COST ACCOUNTING AND REIMBURSEMENT

#### Section 4.1 Initial Deposit and Deposit Account.

(a) The Developer and/or the Owner shall be obligated joint and severally, and the Developer and the Owner hereby agree, to fully reimburse the City and the Redevelopment Agency for any and all costs, fees and expenses including, without limitation, third party costs, incurred by the City and/or the Redevelopment Agency in connection with their actions undertaken pursuant to

this Agreement including, but not limited to, their efforts in pursuing a resolution of the accumulated Special Tax/Assessment Liens and processing a cancellation of Unpaid County Taxes for the Phase II Parcels under Section 4986.3 or Chapter 8 or through any process permitted by law. However, neither the Developer nor the Owner shall have any obligation to reimburse any costs hereunder to the extent such costs were fully reimbursed by the Developer under that certain Cost Reimbursement Agreement dated December 1, 2010 (A-3338), and entered into by and between the Developer, the City and the Redevelopment Agency ("Cost Reimbursement Agreement").

(b) Upon execution of this Agreement, the Developer shall deposit with the City a check in an amount of not less than Fifty Thousand Dollars (\$50,000) ("Initial Deposit"), which the Finance Director of the City shall negotiate and deposit the proceeds thereof into an account of the City ("Deposit Account"). Notwithstanding the provisions of the Cost Reimbursement Agreement, the Parties agree that any unencumbered and unexpended amount of the Developer funds remaining on deposit with the City pursuant to the Cost Reimbursement Agreement shall be deposited by the City into the Deposit Account and allocated toward the Initial Deposit otherwise required by this Section 4.1(b).

(c) All funds deposited into the Deposit Account shall be used to advance fund any and all costs and fees including, without limitation, third party costs, incurred by the City and/or the Redevelopment Agency in connection with their actions undertaken pursuant to this Agreement including, but not limited to, their efforts in pursuing a resolution of the accumulated Special Tax/Assessment Liens and processing a cancellation of Unpaid County Taxes for the Phase II Parcels. Such costs and fees include, without limitation, the following: (1) the fees and expenses of any consultants or contractors retained by the City and/or Redevelopment Agency in connection with the purposes of this Agreement, including an engineer, tax consultant, bond consultant, financial advisor, legal counsel and any other consultant or contractor deemed necessary or advisable by the City and/or the Redevelopment Agency; (2) the costs of appraisals, market absorption, feasibility studies, environmental studies, and other reports deemed necessary or advisable by the City and/or the Redevelopment Agency in connection with the purposes of this Agreement; (3) the costs and fees incurred by the City and/or the Redevelopment Agency as a result of any conditions precedent to the City's acquisition of title to the Phase II Parcels; (4) the purchase price amount, if any, paid by the City and/or the Redevelopment Agency for the City to acquire any and all of the Phase II Parcels; (5) expenses incurred by the City and/or the Redevelopment Agency in forming any Workout District or issue of Refunding Bonds which are not reimbursed to the City and/or the Redevelopment Agency through such formation or issue; (6) cash expended by the City and/or the Redevelopment Agency to pay property taxes, or to pay Special Taxes/Assessments levied on the Phase II Parcels prior to the date the Phase II Parcels are sold to the Developer or its nominee; (7) any amounts paid by the City and/or the Redevelopment Agency to resolve delinquent County Taxes, Special Taxes/Assessments, or other charges, liens or encumbrances on the Phase II Parcels, whether pursuant to Articles II or III of this Agreement or otherwise; and (8) any and all other actual costs and expenses incurred by the City and/or the Redevelopment Agency including, without limitation, third party services, rendered to the City and/or the Redevelopment Agency in connection with the purposes of this Agreement

(collectively, "Reimbursement Costs").

(d) All funds deposited into the Deposit Account shall be subject to withdrawal by the Finance Director of the City from time to time to pay for, or reimburse the City and/or the Redevelopment Agency for, Reimbursement Costs. The City shall not be responsible for any investment earnings on any amounts in the Deposit Account, and may retain any such earnings as its sole property.

(e) All funds deposited into the Deposit Account may be commingled with other funds of the City for purposes of investment and safekeeping, but the City shall at all times maintain records as to the expenditure of the Initial Deposit and any subsequent deposits made by the Developer pursuant to this Agreement.

#### **Section 4.2 Additional Deposit.**

(a) If, at any time, the unexpended and unencumbered balance of the Initial Deposit is less than Five Thousand Dollars (\$5,000) or if, at any time, the City and/or the Redevelopment Agency reasonably estimates that the anticipated Reimbursement Costs will likely reduce the unexpended and unencumbered balance of the Initial Deposit to less than Five Thousand Dollars (\$5,000), the City Manager or designee may request, in writing, that the Developer make an additional deposit in an amount estimated to be sufficient, together with any such unexpended and unencumbered balance, to pay for all remaining Reimbursement Costs ("Additional Deposit"). The Developer shall make such Additional Deposit with the City within two (2) weeks after the receipt by the Developer of the City's written request therefor.

(b) If the Developer fails to make any such Additional Deposit within such two (2) week period, the City and/or the Redevelopment Agency may cease all work related to pursuing a resolution of the accumulated Special Tax/Assessment Liens and processing a cancellation of Unpaid County Taxes for the Phase II Parcels. If, within thirty (30) calendar days' after the receipt by the Developer of the City's written request for such Additional Deposit the Developer shall make such Additional Deposit in full with the City, the City shall resume all work related to pursuing a resolution of the accumulated Special Tax/Assessment Liens and processing a cancellation of Unpaid County Taxes for the Phase II Parcels.

#### **Section 4.3 Accounting; Refund of Deposited Amounts.**

(a) Within ninety (90) calendar days following: (1) completion of both (i) the reduction and resolution of all Unpaid County Taxes for the Phase II Parcels and (ii) the issuance of the Refunding Bonds as described in Article III of this Agreement, or (2) termination of this Agreement or the Parties' termination of the purposes of this Agreement, the City shall account to the Developer for all funds deposited into and withdrawn from the Deposit Account.

(b) Following reimbursement of all amounts otherwise due to the City and the Redevelopment Agency under the terms of this Agreement, the City shall refund to the Developer any unexpended and unencumbered portion of the Initial Deposit and any Additional Deposit remaining in the Deposit Account, without interest.

#### **Section 4.4 Payment of Contingent Fees.**

(a) In order to manage the reasonable costs and expenses to be incurred by the Parties in connection with their diligent efforts in pursuing a resolution of Special Tax/Assessment Liens and Unpaid County Taxes on the Phase II Parcels, the City, the Owner and the Developer each mutually agree to request certain of their respective third party consultants and contractors retained, or to be retained, in connection with the purposes of this Agreement to submit fee proposals that will include a contingent fee component that may be paid from the proceeds generated by the Refunding Bonds for the Workout Districts. The contingent fee component agreed to by the Parties and their respective third party consultants and contractors will be due and payable upon the completion of both of the following: (1) the reduction and resolution of all Unpaid County Taxes for the Phase II Parcels; and (2) the issuance of the Refunding Bonds as described in Article III of this Agreement.

(b) Nothing in this Section 4.4 shall relieve the Developer and the Owner from their obligation to fully reimburse the City and the Redevelopment Agency for any and all costs, fees and expenses including, without limitation, third party costs, incurred by the City and/or the Redevelopment Agency in connection with their obligations and activities pursuant to this Agreement including, but not limited to, their efforts in pursuing a resolution of the accumulated Special Tax/Assessment Liens and processing a cancellation of Unpaid County Taxes for the Phase II Parcels.

#### **Section 4.5 Reimbursement of Certain Costs, Fees and Expenses.**

(a) Pursuant to the provisions of this Agreement, the Parties may each make cash payments as required to effectuate the purposes of this Agreement.

(b) The City may seek reimbursement of certain costs, fees and expenses incurred by the City and/or Redevelopment Agency from the proceeds generated by the Refunding Bonds for the Workout Districts, to the extent feasible. The City agrees to maintain an accounting of all such expenditures for which reimbursement through the proceeds generated by the Refunding Bonds will be sought. Nothing in this Section 4.5 shall relieve the Developer and the Owner from their obligation to fully reimburse the City and the Redevelopment Agency for any and all costs, fees and expenses including, without limitation, third party costs, incurred by the City and/or the Redevelopment Agency in connection with their obligations and activities pursuant to this Agreement including, but not limited to, their efforts in pursuing a resolution of the accumulated Special Tax/Assessment Liens and processing a cancellation of Unpaid County Taxes for the Phase II Parcels. However, to the extent the City is fully reimbursed for certain costs, fees and expenses

incurred by the City and/or Redevelopment Agency from the proceeds generated by the Refunding Bonds for the Workout Districts, then the City may not recover reimbursement from the Developer or the Owner for those same costs, fees or expenses.

(c) The Developer and the Owner shall be solely responsible for paying for any and all costs, fees and expenses incurred by the Developer and the Owner in furtherance of the purposes of this Agreement including, without limitation, all costs, fees and expenses relating to legal counsel and any other advisors or third parties. Notwithstanding, however, the Developer and the Owner will be entitled to recover such costs, fees and expenses from the proceeds generated by the Refunding Bonds for the Workout Districts, to the extent such reimbursement is economically feasible and consistent with all applicable state and federal laws. The Developer and the Owner agree to maintain an accounting of all such expenditures for which reimbursement through the proceeds generated by the Refunding Bonds will be sought, and to present the City with such accounting at least two (2) weeks prior to the sale of any Refunding Bonds.

#### **Section 4.6 Use of Funds on Deposit with City.**

The City has on deposit certain funds in the total amount of Thirty Three Thousand Eight Hundred Ninety Three Dollars and Thirteen Cents (\$33,893.13) reserved for the purpose of reducing general property taxes on two Trishul Parcels referenced by Assessor's Parcel Numbers 3003-081-027 and 3003-081-030. To the extent feasible and legally permissible, the City will use its diligent efforts to allocate these funds on deposit with the City toward reducing the tax delinquencies on the two Trishul Parcels referenced by Assessor's Parcel Numbers 3003-081-027 and 3003-081-030.

### **ARTICLE V**

#### **GENERAL PROVISIONS**

**Section 5.1 Termination for Environmental Concerns.** The Developer may perform one or more Phase I environmental analyses of the Site or any portion thereof to determine the potential for any Hazardous Substances on, in, under or above the Site or any portion thereof including, but not limited to, the soil and groundwater. Upon completion thereof, the Developer shall provide a copy of the Phase I environmental analyses and any and all related documents to the City. Within ten (10) calendar days of the date of transmittal of the Phase I environmental analysis to the City, either Party may, in its sole discretion, terminate this Agreement as to the Site or any portion thereof based upon its dissatisfaction with the environmental status of the Site or such portion, or the Parties may, by mutual consent, determine to undertake further environmental analysis of the Site. The Party charged with the responsibility to undertake such further environmental analysis shall require that a report thereon be prepared and provided to all Parties. Within ten (10) calendar days of the date of transmittal of such report, the City, or the Developer and the Owner, may, in its (or their) respective discretion, terminate this Agreement as to the Site or such portion thereof based upon its dissatisfaction with the environmental status of the Site or portion thereof.

Upon termination of this Agreement for the reasons set forth in this Section 5.1, the City and/or the Redevelopment Agency shall be reimbursed for all costs, fees and expenses relating to this Agreement in accordance with Article IV including, without limitation, the costs of environmental analyses incurred by the City and/or Redevelopment Agency. "Hazardous Substances," as used in this Agreement, means a substance or material which is regulated by the United States government, the State of California, or any local or other governmental authority having jurisdiction and determined by such governmental entity to be capable of posing a risk of injury to public health and safety including, without limitation, any flammable explosives, radioactive materials, asbestos, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes and toxic substances.

**Section 5.2 Cooperation; Additional Documents.** The City, the Developer and the Owner each acknowledge that it may be necessary to execute documents other than those specifically referred to herein in order to complete the transactions contemplated by this Agreement. Therefore, the Parties each hereby agree to reasonably cooperate with each other by the execution of such other documents or the taking of such other action as may be reasonably necessary to complete this transaction in accordance with the intent of the Parties as evidenced in this Agreement.

**Section 5.3 Change in Ownership of Owner and Developer; Assignment.**

(a) The Owner and the Developer each recognize that, in view of the requirements of the Owner and the Developer established by this Agreement, the qualifications and identity of each the Owner and the Developer are of particular concern to the City. The Owner and the Developer further recognize that it is because of such qualifications and identity that the City is entering into this Agreement with the Owner and the Developer. Accordingly, except as set forth in this Section 5.3, no voluntary or involuntary successor in interest of the Owner or the Developer shall acquire any rights or powers under this Agreement without the prior written consent of the City.

(b) Except as otherwise set forth in this Agreement, neither the Owner nor the Developer shall assign all or any part of this Agreement or any interest therein, or transfer any portion of the Site or any interest therein, without the prior written approval of the City. In no event shall the City provide such written approval unless such assignee or transferee shall assume all of the obligations of its assignor or transferor with regard to the portion(s) of the Agreement or the Site so assigned or transferred, and shall deliver written evidence of such assumption in a form reasonably satisfactory to the City. If the proposed transfer is of any portion of the Site or any interest therein, then, prior to such transfer, all unpaid Special Taxes/Assessments and Unpaid County Taxes shall have been paid in full except as may otherwise be agreed to in writing by the City. No such approval by the City of an assignment or a transfer shall release the Owner or the Developer from their respective obligations hereunder unless specifically provided in writing by the City. Approvals of the City required by this Section shall not be unreasonably withheld, conditioned or delayed, provided the conditions set forth herein have been met.

(c) The prohibition against assignment or transfer of the Site or any portion thereof without the City's prior consent shall terminate on the earlier of: (1) the date that the City provides notice of termination of the process to resolve Unpaid County Taxes as to the Site or any portion of the Site, as set forth in Section 2.5 of this Agreement; (2) the date the City has transferred ownership of the Site or such portion thereof which it obtained pursuant to Section 4986.3, Chapter 8 or otherwise, to the Developer or its nominee pursuant to Section 2.4 of this Agreement; or (3) the date this Agreement is terminated or otherwise expires.

**Section 5.4 No Third Party Beneficiary.** No person or entity shall acquire any rights or benefits as a third party beneficiary under this Agreement.

**Section 5.5 Notices, Demands and Communications Between the Parties.** All notices given hereunder shall be in writing. Notices shall be presented in person or by certified or registered United States Mail, return receipt requested, postage prepaid or by overnight delivery by a nationally recognized delivery service to the addresses set forth below. Notice presented by United States Mail shall be deemed effective on the third business day following the deposit of such notice with the United States Postal Service. This Section 5.5 shall not prevent the Parties hereto from giving notice by personal service or telephonically verified fax transmission, which shall be deemed effective upon actual receipt of such personal service or telephonic verification. Either Party may change its address for receipt of written notice by notifying the other Party in writing of a new address for delivering notice to such Party.

To the City: CITY OF PALMDALE  
38300 Sierra Highway  
Palmdale, California 93550  
Attn: Stephen H. Williams, City Manager

To the Developer: SYCG-MGP PALMDALE I LLC  
515 South Figueroa Street, Suite 1800  
Los Angeles, California 90071  
Attn: J. Brian Masterman, President

To the Owner: PALMDALE 5<sup>TH</sup> STREET WEST LLC  
515 South Figueroa Street, Suite 1800  
Los Angeles, California 90071  
Attn: J. Brian Masterman, Manager

**Section 5.6 Nonliability of Officials and Employees of City and Redevelopment Agency.** No Council Member, Board Member, official or employee of the City or the Redevelopment Agency shall be personally liable to the Owner, the Developer, or any of their affiliates or successors in interest, in the event of any default or breach of this Agreement by the City and/or the Redevelopment Agency, or for any amount which may become due to the Owner, the

Developer, or any of their affiliates or successors, or on any obligation under the terms of this Agreement.

**Section 5.7 Nonliability of Officials and Employees of Owner and Developer.** No member, official or employee of the Owner or the Developer shall be personally liable to the City, the Redevelopment Agency, or any of their successors in interest, in the event of any default or breach by the Owner or the Developer, or for any amount which may become due to the City, the Redevelopment Agency, or any their successors, or on any obligation under the terms of this Agreement.

**Section 5.8 Remedies Not Exclusive; Waivers.** No remedy conferred by any of the specific provisions of this Agreement is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in or by statute or otherwise, and the election of any one or more remedies shall not constitute a waiver of the right to pursue other available remedies.

**Section 5.9 Warranties of Owner and Developer.** The Developer and the Owner hereby represent the following to the City for the purpose of inducing the City to enter into this Agreement and to consummate the transactions contemplated hereby, all of which shall be true as of the date hereof:

(a) Each of the Owner and the Developer has the legal power, right and authority to enter into this Agreement and the instruments and documents referenced herein to which the Owner or the Developer is a party, to consummate the transactions contemplated hereby, to take any steps or actions contemplated hereby, and to perform its obligations hereunder.

(b) All requisite action has been taken by each of the Owner and the Developer, and all requisite consents have been obtained in connection with each of them entering into this Agreement and the instruments and documents referenced herein to which the Owner or the Developer is a party, and the consummation of the transaction contemplated hereby complies with all applicable laws, statutes, ordinances, rules and governmental regulations.

(c) This Agreement is duly executed by the Owner and the Developer and is valid and legally binding upon the Owner and the Developer, respectively, and enforceable in accordance with its terms.

(d) The execution and delivery of this Agreement by the Owner and the Developer shall not, with due notice or the passage of time, constitute a default under or violate the terms of any indenture, agreement or other instrument to which the Owner or the Developer is a party.

(e) Except for the current and possible future actions relating to foreclosure of the Districts' Special Tax/Assessment Liens on the Site or tax sales for Unpaid County Taxes relating to

the Site, to the actual knowledge of J. Brian Masterman, president of the Developer and manager of the Owner, based upon his reasonable investigation thereof, there are no suits, other proceedings, or investigations pending or threatened which, in the reasonable opinion of the Owner or the Developer, would, if concluded adversely to the Owner or the Developer, respectively, have a material adverse effect on the financial condition of the Owner and/or the Developer, or prevent the Owner and the Developer from each performing its duties and obligations hereunder.

**Section 5.10 Modification of Agreement.** This Agreement may not be modified, changed, or supplemented, nor may any obligations hereunder be waived, except by written instrument signed by all Parties.

**Section 5.11 Extensions of Time to Perform.**

(a) **Enforced Delay:** In addition to specific provisions of this Agreement, performance by any Party hereunder shall not be deemed to be in default where delays or defaults are due to causes beyond the control and without the fault of the Party claiming an extension of time to perform, including war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools provided such inability is not caused by the Party claiming the delay, delays of any contractor, subcontractor or suppliers provided such delays are not caused by the Party claiming the delay, acts of another Party, or acts or failure to act of any other public or governmental agency or entity (except that an act or failure to act of the City shall not excuse performance by the City). An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Parties within five (5) calendar days of knowledge of the commencement of the cause.

(b) **Mutual Agreement:** Times of performance under this Agreement may also be extended in writing by mutual agreement of the Parties. The City Manager of the City may agree to such extension on behalf of the City when he/she determines such extension is warranted by the circumstances and will effectuate the purposes of this Agreement.

**Section 5.12 Inspection of Books and Records.** Solely as pertinent to the purposes of this Agreement, the City or its designee(s) has the right at all reasonable times to inspect the books, records, and/or other documents of the Owner and/or the Developer pertaining to the Site at the business offices of the Owner or the Developer, respectively.

**Section 5.13 Relationship of the Parties.** Nothing contained in this Agreement shall be deemed or construed as creating a partnership, joint venture, or any other relationship between the Parties hereto other than as expressly specified in the provisions contained herein.

**Section 5.14 Interpretation of Agreement.** This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters addressed in this Agreement. In addition, each Party has been given the opportunity to consult with experienced and knowledgeable legal counsel. Accordingly, any rule of law (including Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the Party that has drafted it is not applicable and is hereby waived by the Parties. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose and intent of the Parties to this Agreement.

**Section 5.15 Approvals.** The City has the legal power, right and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The individuals executing this Agreement on behalf of the City have the legal power, right and actual authority to bind the City to the terms and conditions of this Agreement. The City Council of the City hereby authorizes and directs the City Manager, or his/her designee, to execute any and all documents necessary to complete the transactions contemplated in this Agreement. The City Council of the City also authorizes and directs the City Manager to make such minor modifications to this Agreement as he/she determines are necessary to effectuate the purpose and intent of this Agreement upon consultation with legal counsel.

**Section 5.16 Entire Agreement; Attachments.** This Agreement is executed in three (3) duplicate originals each of which is deemed to be an original. This Agreement includes forty eight (48) pages and four (4) attachments, each of which is incorporated herein by this reference, which constitute the entire understanding and agreement of the Parties pertaining to the subject matter hereof.

The attachments are as follows:

Attachment No. 1	-	Site Map and Assessor's Parcel Maps
Attachment No. 2	-	Legal Descriptions
Attachment No. 3	-	Forms of Deed in Lieu of Judicial Foreclosure
Attachment No. 4	-	Form of Quitclaim Deed

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the Parties with respect to all or any part of the subject matter hereof.

**Section 5.17 No Modification To City's Rights or Powers.** Notwithstanding any provision of this Agreement to the contrary, this Agreement shall not be deemed to modify, waive or affect any right or fiduciary obligation of the City in the Site relating to or arising from any of the District Bonds, or any assessment or special tax, penalty, interest, fee or administrative charge imposed in connection therewith, nor shall it be deemed to modify, waive or affect any power of the City arising from or relating to the location of the Site within the jurisdiction of the City. In

particular, each of the Owner and the Developer acknowledges and agrees that the City has the right to foreclose on any or all of the delinquent Special Tax/Assessment Liens which remain outstanding on the Site unless and until the delinquent Special Taxes/Assessments are paid. Nothing in this Agreement shall be deemed to constitute a waiver of the City's right to prosecute an action to foreclose on behalf of the owners of the District Bonds or to take such other action relating to the Special Tax/Assessment Liens as the City determines, in its sole and absolute discretion, to undertake, and that any such action by the City shall not be deemed a violation of this Agreement or any term hereof.

**Section 5.18 Hold Harmless and Indemnity.** Each of the Owner and the Developer agrees to, and shall, defend, release, indemnify and hold harmless the City and the Redevelopment Agency and their respective boards, commissions, officers, officials, employees, agents, representatives and contractors (the "Indemnitees") from and against any and all claims, demands, actions, liability, proceedings, penalties, charges, loss, damage, costs, or expenses whatsoever (including reasonable attorneys' fees and court costs) arising from, or as a result of, the death of any person or any accident, injury, loss, or damage whatsoever caused to any person or to the property of any person, or which shall occur directly or indirectly as a result of or in connection with the acts of, or on behalf of, the Owner or the Developer in connection with the purposes of this Agreement, whether such claims, demands, actions, liability, proceedings, penalties, charges, loss, damage, costs, or expenses shall occur or be discovered before or after termination or expiration of this Agreement. The Owner and the Developer shall each not be responsible for, and such indemnity shall not apply to, the extent that such harm results from the sole gross negligence or intentional acts of the City or the Redevelopment Agency or their respective boards, commissions, officers, officials, employees, agents, representatives and contractors. The foregoing indemnity shall survive termination or expiration of this Agreement.

**Section 5.19 Term.** This Agreement shall become effective on the date first written above, which shall be deemed the "date of this Agreement" for all purposes herein. This Agreement shall remain effective until the date on which all of the covenants herein provided are fully performed, satisfied or waived, or unless terminated pursuant to Sections 2.5 or 5.1 of this Agreement.

**Section 5.20 Severability.** If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining portions hereof shall not, in any way, be affected or impaired thereby.

**Section 5.21 Governing Law and Venue.** This Agreement shall be governed by, interpreted under, construed and enforced in accordance with the laws of the State of California. This Agreement is made and entered into in the County of Los Angeles, California, and any legal actions or proceedings arising from or related to this Agreement shall be brought in the County of Los Angeles.

**Section 5.22 Counterparts.** This Agreement may be executed in counterparts each of which may serve as an original.

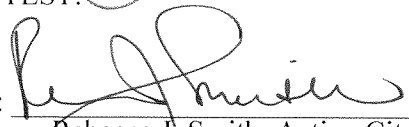
**CITY:**

CITY OF PALMDALE

Dated: 2-2-2011

By:   
James C. Ledford, Jr., Mayor

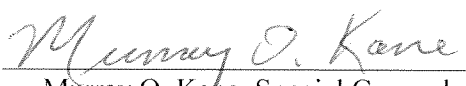
ATTEST:

By:   
Rebecca J. Smith, Acting City Clerk

APPROVED AS TO FORM:

By:   
Wm. Matthew Ditzhazy, City Attorney

APPROVED AS TO FORM:

By:   
Murray O. Kane, Special Counsel  
Kane, Ballmer & Berkman

**OWNER:**

PALMDALE 5<sup>TH</sup> STREET WEST LLC, a  
California limited liability company

Dated: \_\_\_\_\_, \_\_\_\_\_

By: \_\_\_\_\_  
J. Brian Masterman, Manager

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*[Signatures continue on the following page]*

**Section 5.22 Counterparts.** This Agreement may be executed in counterparts each of which may serve as an original.

**CITY:**

CITY OF PALMDALE

Dated: \_\_\_\_\_, \_\_\_\_\_

By: \_\_\_\_\_  
James C. Ledford, Jr., Mayor

ATTEST:

By: \_\_\_\_\_  
Rebecca J. Smith, Acting City Clerk

APPROVED AS TO FORM:

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Wm. Matthew Ditzhazy, City Attorney

By: \_\_\_\_\_  
Murray O. Kane, Special Counsel  
Kane, Ballmer & Berkman

**OWNER:**

PALMDALE 5<sup>TH</sup> STREET WEST LLC, a  
California limited liability company

Dated: \_\_\_\_\_, \_\_\_\_\_

By: \_\_\_\_\_  
J. Brian Masterman, Manager

ATTEST:

By: \_\_\_\_\_  
Name: L. William Huck  
Title: Authorized Representative

*[Signatures continue on the following page]*

**DEVELOPER:**

SYCG-MGP PALMDALE I LLC,  
a Delaware limited liability company

By: Palmdale T&C Partners LLC,  
a Delaware limited liability company,  
Its Managing Member

By: S&Y Capital Group LLC,  
a California limited liability company,  
Its Managing Member

By: [Signature] 12/23/10  
J. Brian Masterman Dated  
Its President

ATTEST:

By: [Signature]  
Name: L. William Huck  
Title: Authorized Representative

By: MG Partners Palmdale I LLC,  
a California limited liability company

By: Merlone Geier Partners, L.P.,  
a California limited partnership,  
Its Managing Member

By: MGGP, L.P.,  
a California limited partnership,  
Its General Partner

By: Merlone Geier I, LLC  
a California limited liability company,  
Its General Partner

By: \_\_\_\_\_  
Brad Geier Dated  
Its Chairman

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DEVELOPER:**

SYCG-MGP PALMDALE I LLC,  
a Delaware limited liability company

By: Palmdale T&C Partners LLC,  
a Delaware limited liability company,  
Its Managing Member

By: S&Y Capital Group LLC,  
a California limited liability company,  
Its Managing Member

By: \_\_\_\_\_  
J. Brian Masterman Dated  
Its President

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: MG Partners Palmdale I LLC,  
a California limited liability company


By: Merlone Geier Partners, L.P.,  
a California limited partnership,  
Its Managing Member

By: MGGP, L.P.,  
a California limited partnership,  
Its General Partner

By: Merlone Geier I, LLC  
a California limited liability company,  
Its General Partner

By:  1/3/11  
Brad Geier Dated  
Its Chairman

ATTEST:

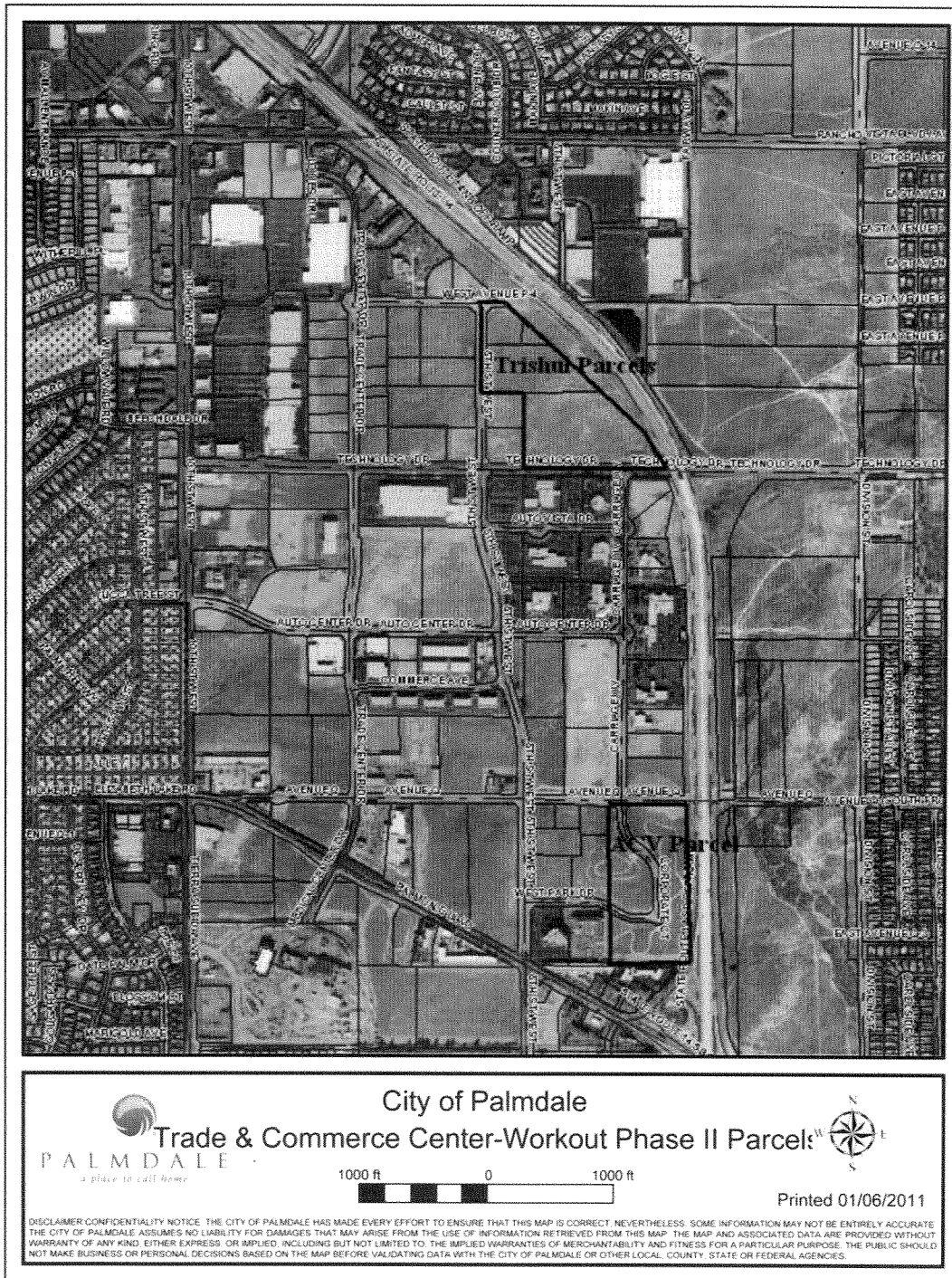
By:   
Name: ANGEL BAUGH  
Title: Executive ASST.

A-3368

ATTACHMENT NO. 1

SITE MAP AND ASSESSOR'S PARCEL MAPS

[Behind this Page]



[illegible]



ATTACHMENT NO. 2

LEGAL DESCRIPTIONS

(Phase II Parcels)

A. Trishul Parcels:

APNs: 3003-081-027, 3003-081-028, 3003-081-029 and 3003-081-030

LOTS 21, 22, 25 AND 26 OF TRACT NO. 49832, IN THE CITY OF PALMDALE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1811 PAGES 70 TO 75 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION OF SAID LAND LYING NORTHEASTERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF THE LAND ACQUIRED BY EDWARD E. DEBS BY DEED (PARCEL NO. D-A4164), RECORDED NOVEMBER 22, 1972 IN BOOK D5676, PAGE 740 OF OFFICIAL RECORDS IN SAID OFFICE, DISTANT THEREON N 89° 54' 11" W, 284.67 FEET FROM THE SOUTHEASTERLY CORNER OF SAID PARCEL, SAID SOUTHEASTERLY CORNER BEING THE MOST NORTHEASTERLY CORNER OF SAID LOT 26; THENCE LEAVING SAID SOUTHERLY LINE S 48° 08' 03" E, 1531.54 FEET TO THE SOUTHERLY TERMINUS OF THAT CERTAIN COURSE HAVING A BEARING AND DISTANCE OF "N 28° 00' 35" W, 288.71 FEET" IN THE LAND CONVEYED TO THE STATE OF CALIFORNIA BY DEED (STATE PARCEL C4541) RECORDED IN BOOK D4581, PAGE 598 OF OFFICIAL RECORDS IN SAID OFFICE, AS GRANTED TO THE STATE OF CALIFORNIA IN DEED RECORDED AUGUST 27, 1993 AS INSTRUMENT NO. 93-1680571, OFFICIAL RECORDS.

END OF LEGAL DESCRIPTION

B. ACV Parcel:

APN: 3004-001-032

THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 6 NORTH, RANGE 12 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF PALMDALE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT OF SAID LAND.

EXCEPT THEREFROM A STRIP OF LAND, 30 FEET WIDE, RESERVED FOR ROAD PURPOSES ALONG AND ADJOINING EACH OF THE BOUNDARY LINES OF SAID SECTION.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LAND DEEDED TO THE STATE OF CALIFORNIA FOR FREEWAY PURPOSES RECORDED DECEMBER 19, 1963 AS INSTRUMENT NO. 1450, OFFICIAL RECORDS, AND MORE PARTICULARLY DESCRIBED AS LYING EASTERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE NORTHERLY LINE OF SAID SECTION 27, DISTANT ALONG SAID NORTHERLY LINE NORTH 89 DEGREES 56 MINUTES 23 SECONDS WEST 1356.43 FEET FROM THE NORTHEAST CORNER OF SAID SECTION; THENCE

(1) SOUTH 3 DEGREES 32 MINUTES 56 SECONDS WEST, 30.06 FEET TO THE SOUTHERLY LINE OF THE NORTHERLY 30.00 FEET OF SAID SECTION 27; THENCE

(2) SOUTH 1 DEGREE 13 MINUTES 19 SECONDS EAST, 488.45 FEET; THENCE

(3) SOUTH 2 DEGREES 10 MINUTES 37 SECONDS EAST, 300.04 FEET; THENCE

(4) SOUTH 4 DEGREES 41 MINUTES 41 SECONDS WEST, 381.38 FEET; THENCE

(5) SOUTHWESTERLY, ALONG A TANGENT CURVE, CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 450.00 FEET, THROUGH AN ANGLE OF 41 DEGREES 44 MINUTES 22 SECONDS, AN ARC DISTANCE OF 327.82 FEET.

ALSO EXCEPT THEREFROM THOSE PORTIONS OF SAID LAND TO BE KNOWN AS WEST PARK DRIVE AND CORPORATE COURT AS DESCRIBED IN THE DEED TO THE CITY OF PALMDALE, A MUNICIPAL CORPORATION RECORDED MAY 29, 1992 AS INSTRUMENT NO. 92-968383, OFFICIAL RECORDS.

END OF LEGAL DESCRIPTION

ATTACHMENT NO. 3

FORMS OF DEED IN LIEU OF JUDICIAL FORECLOSURE

[Behind this Page]

RECORDING REQUESTED BY AND  
MAIL TO:

City of Palmdale  
38300 Sierra Highway, Suite A  
Palmdale, California 93550  
Attn: City Clerk

└─ SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE ─┐  
EXEMPT FROM FEES PURSUANT TO *GOV. CODE* § 27383

**DEED IN LIEU OF JUDICIAL FORECLOSURE**

**Los Angeles County APN(s) 3003-081-027, 3003-081-028, 3003-081-029, 3003-081-030**

FOR VALUABLE CONSIDERATION, including the dismissal of Los Angeles Superior Court, North District Case No. MC022021 in complete satisfaction of the underlying judicial foreclosure causes of action filed on behalf of Community Facilities District No. 05-1 (Trade and Commerce Center Area) and 7<sup>th</sup> Street West Assessment District No. 90-2 (Reassessment and Refunding of 2007-B), and all amounts due thereunder, the undersigned PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company, ("GRANTOR") hereby grants to the CITY OF PALMDALE, a California charter city, ("CITY") the above-referenced real property in the County of Los Angeles, State of California, **legally and more particularly described on Exhibit "A" attached hereto and made a part hereof by this reference.**

This deed is an absolute conveyance to the CITY of all right, title and interest in and to the above-described real property for fair value and in consideration for the full satisfaction of all obligations secured by the Notice of Pendency of Action recorded on October 18, 2010, as Instrument Number 20101486018 in Official Records, Los Angeles County, California.

GRANTOR declares that this absolute conveyance was freely and fairly made between GRANTOR and the CITY in cancellation of all obligations under the causes of action in the above-referenced judicial foreclosure action, with respect to the described real property.

PALMDALE 5<sup>TH</sup> STREET WEST LLC, a  
California limited liability company

DATED: \_\_\_\_\_, \_\_\_\_\_

By: \_\_\_\_\_  
J. Brian Masterman, Manager

**ACKNOWLEDGMENT**

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On \_\_\_\_\_, \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)  
Notary Public

EXHIBIT "A"

LEGAL DESCRIPTION:

APNs: 3003-081-027, 3003-081-028, 3003-081-029 and 3003-081-030

Lots 21, 22, 25 and 26 of Tract 49832, in the City of Palmdale, County of Los Angeles, State of California, as per map recorded in Book 1811, Pages 70 to 75, inclusive of Maps, in the Office of the County Recorder of said County.

Except therefrom that portion of said land lying Northeasterly of the following described line:

Beginning at a point in the Southerly line of the land acquired by Edward E. Debs by deed (Parcel No. D-A4164), recorded November 22, 1972 in Book D5676, Page 740 of Official Records in said Office, distant thereon N 89° 54' 11" W, 284.67 feet from the Southeasterly corner of said parcel, said Southeasterly corner being the most Northeasterly corner of said Lot 26; thence leaving said Southerly line S 48° 08' 03" E, 1531.54 feet to the Southerly terminus of that certain course having a bearing and distance of "N 28° 00' 35" W, 288.71 feet" in the land conveyed to the State of California by deed (State Parcel C4541) recorded in Book D4581, Page 598 of Official Records in said Office, as granted to the State of California in deed recorded August 27, 1993 as Instrument No. 93-1680571, Official Records.

END OF DESCRIPTION

GRANTOR: PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company  
Los Angeles County APN(s) 3003-081-027, 3003-081-028, 3003-081-029, 3003-081-030

**CERTIFICATE OF ACCEPTANCE**

This is to certify that the interest in real property conveyed by the Deed In Lieu of Judicial Foreclosure dated \_\_\_\_\_, \_\_\_\_\_ from the Grantor, PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company, to the Grantee, the CITY OF PALMDALE, a California charter city, is hereby accepted by the undersigned officer on behalf of the Grantee pursuant to the authority conferred by Resolution No. \_\_\_\_\_ adopted on \_\_\_\_\_ by the City Council, and the Grantee hereby consents to recordation thereof by its duly authorized officer.

Dated: \_\_\_\_\_, \_\_\_\_\_

By: \_\_\_\_\_  
Stephen H. Williams, City Manager  
City of Palmdale

ATTEST:

By: \_\_\_\_\_  
Rebecca J. Smith, Acting City Clerk

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Wm. Matthew Ditzhazy, City Attorney

RECORDING REQUESTED BY  
AND MAIL TO:

City of Palmdale  
38300 Sierra Highway, Suite A  
Palmdale, California 93550  
Attn: City Clerk

└─ SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE ─┐  
EXEMPT FROM FEES PURSUANT TO *GOV. CODE* § 27383

**DEED IN LIEU OF JUDICIAL FORECLOSURE**  
**Los Angeles County APN 3004-001-032**

FOR VALUABLE CONSIDERATION, including the dismissals of Los Angeles Superior Court, North District Case Nos. MC022028 and MC004916 in complete satisfaction of the underlying judicial foreclosure causes of action filed on behalf of 10<sup>th</sup> Street West Assessment District No. 88-1 (Reassessment and Refunding of 2005) and 7<sup>th</sup> Street West Assessment District No. 90-2, respectively, and all amounts due thereunder, the undersigned PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company, ("GRANTOR") hereby grants to the CITY OF PALMDALE, a California charter city, ("CITY") the above-referenced real property in the County of Los Angeles, State of California, **legally and more particularly described on Exhibit "A" attached hereto and made a part hereof by this reference.**

This deed is an absolute conveyance to the CITY of all right, title and interest in and to the above-described real property for fair value and in consideration for the full satisfaction of all obligations secured by the Notice of Pendency of Action recorded on October 22, 2010, as Instrument Number 20101519224 in Official Records, Los Angeles County, California, and the Order Modifying and Amending Judgment in Foreclosure; Order of Sale, entered on September 26, 2006, as amended on January \_\_\_\_, 2011, by the Los Angeles Superior Court, North District.

GRANTOR declares that this absolute conveyance was freely and fairly made between GRANTOR and the CITY in cancellation of all obligations under the causes of action in the above-referenced judicial foreclosure action, with respect to the described real property.

PALMDALE 5<sup>TH</sup> STREET WEST LLC, a  
California limited liability company

DATED: \_\_\_\_\_, \_\_\_\_\_

By: \_\_\_\_\_  
J. Brian Masterman, Manager

**ACKNOWLEDGMENT**

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On \_\_\_\_\_, \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)  
Notary Public

**EXHIBIT "A"**

LEGAL DESCRIPTION

APN: 3004-001-032

The East half of the Northwest quarter of the Northeast quarter of Section 27, Township 6 North, Range 12 West, San Bernardino Meridian, in the City of Palmdale, County of Los Angeles, State of California, according to the official plat of said land.

Except therefrom a strip of land, 30 feet wide, reserved for road purposes along and adjoining each of the boundary lines of said Section.

Also except therefrom that portion of said land deeded to the State of California for freeway purposes recorded December 19, 1963 as Instrument No. 1450, Official Records, and more particularly described as lying easterly of the following described line:

Beginning at a point in the Northerly line of said Section 27, distant along said Northerly line North 89 degrees 56 minutes 23 seconds West 1356.43 feet from the Northeast corner of said section; thence

(1) South 3 degrees 32 minutes 56 seconds West, 30.06 feet to the Southerly line of the Northerly 30.00 feet of said Section 27; thence

(2) South 1 degree 13 minutes 19 seconds East, 488.45 feet; thence

(3) South 2 degrees 10 minutes 37 seconds East, 300.04 feet; thence

(4) South 4 degrees 41 minutes 41 seconds West, 381.38 feet; thence

(5) Southwesterly, along a tangent curve, concave Northwesterly, having a radius of 450.00 feet, through an angle of 41 degrees 44 minutes 22 seconds, an arc distance of 327.82 feet.

Also except therefrom those portions of said land to be known as West Park Drive and Corporate Court as described in the deed to the City of Palmdale, a municipal corporation recorded May 29, 1992 as Instrument No. 92-968383, Official Records.

END OF LEGAL DESCRIPTION

GRANTOR: PALMDALE 5<sup>th</sup> STREET WEST LLC, a California limited liability company  
Los Angeles County APN 3004-001-032

**CERTIFICATE OF ACCEPTANCE**

This is to certify that the interest in real property conveyed by the Deed In Lieu of Judicial Foreclosure dated \_\_\_\_\_, \_\_\_\_\_ from the Grantor, PALMDALE 5<sup>TH</sup> STREET WEST LLC, a California limited liability company, to the Grantee, the CITY OF PALMDALE, a California charter city, is hereby accepted by the undersigned officer on behalf of the Grantee pursuant to the authority conferred by Resolution No. \_\_\_\_\_ adopted on \_\_\_\_\_ by the City Council, and the Grantee hereby consents to recordation thereof by its duly authorized officer.

Dated: \_\_\_\_\_, \_\_\_\_\_

By: \_\_\_\_\_  
Stephen H. Williams, City Manager  
City of Palmdale

ATTEST:

By: \_\_\_\_\_  
Rebecca J. Smith, Acting City Clerk

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Wm. Matthew Ditzhazy, City Attorney

ATTACHMENT NO. 4

FORM OF QUITCLAIM DEED

SYCG-MGP Palmdale I LLC,  
a Delaware limited liability company  
515 South Figueroa Street, Suite 1800  
Los Angeles, California 90071  
Attention: J. Brian Masterman, President

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SPACE ABOVE THIS LINE FOR RECORDER'S USE

EXEMPT FROM FEES PURSUANT TO *GOV. CODE* § 27383

QUITCLAIM DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the CITY OF PALMDALE, a California charter city (herein called "Grantor") hereby remises, releases, and quitclaims to SYCG-MGP PALMDALE I LLC, a Delaware limited liability company (herein called "Grantee") all of Grantor's right, title and interest in the real property described in Exhibit "A" attached hereto and incorporated herein by this reference.

IN WITNESS WHEREOF, Grantor and Grantee have caused this instrument to be executed on their behalf, in Palmdale, California, by their respective officers hereunto duly authorized.

GRANTOR: CITY OF PALMDALE

Dated: \_\_\_\_\_, \_\_\_\_\_

By: \_\_\_\_\_  
Stephen H. Williams, City Manager

ATTEST:

By: \_\_\_\_\_  
Rebecca J. Smith, Acting City Clerk

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Wm. Matthew Ditzhazy, City Attorney

GRANTEE:

SYCG-MGP PALMDALE I LLC,  
a Delaware limited liability company

By: Palmdale T&C Partners LLC,  
a Delaware limited liability company,  
Its Managing Member

By: S&Y Capital Group LLC,  
a California limited liability company,  
Its Managing Member

By: \_\_\_\_\_  
J. Brian Masterman Dated  
Its President

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: MG Partners Palmdale I LLC,  
a California limited liability company

By: Merlone Geier Partners, L.P.,  
a California limited partnership,  
Its Managing Member

By: MGGP, L.P.,  
a California limited partnership,  
Its General Partner

By: Merlone Geier I, LLC  
a California limited liability company,  
Its General Partner

By: \_\_\_\_\_  
Brad Geier Dated  
Its Chairman

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ACKNOWLEDGMENT**

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On \_\_\_\_\_ before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On \_\_\_\_\_ before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On \_\_\_\_\_ before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

A-3368

EXHIBIT "A"  
LEGAL DESCRIPTIONS  
[TO BE INSERTED]